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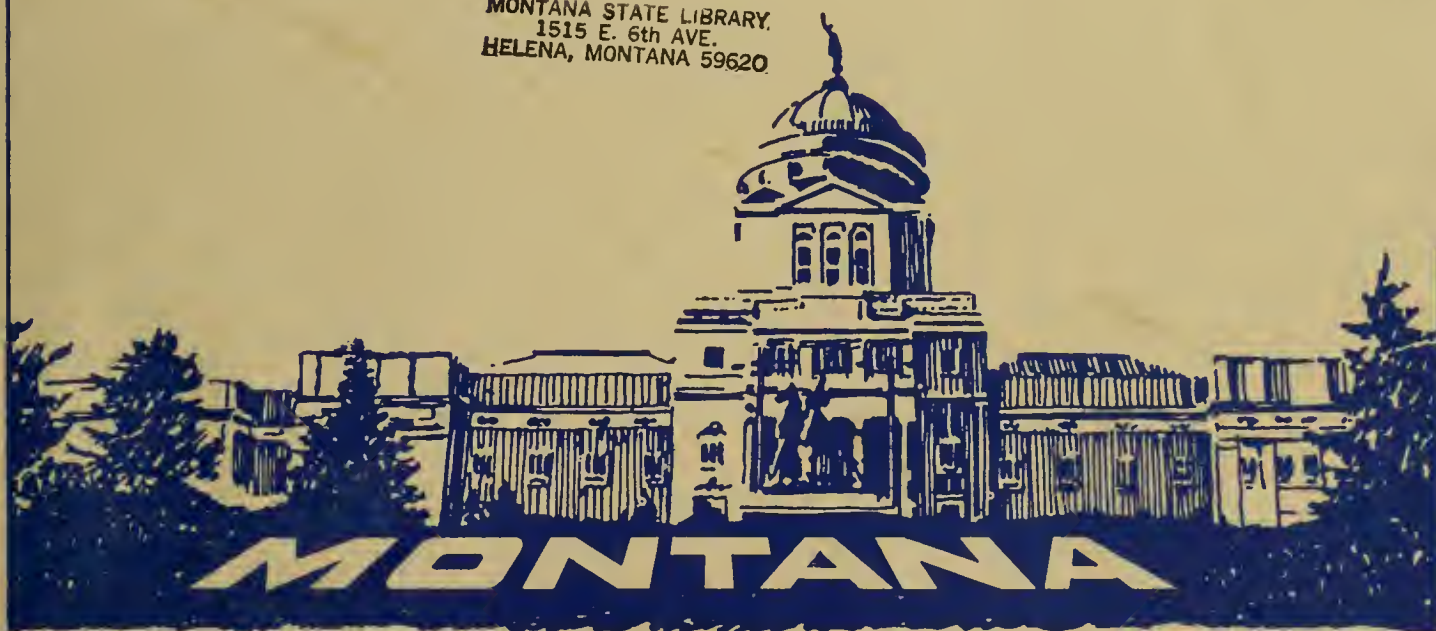
BUDGET ANALYSIS 1997 BIENNIUM

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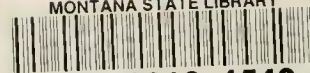


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BUDGET ANALYSIS

1997 Biennium

Volume II

Presented to the Fifty-fourth Legislature

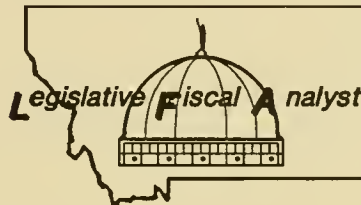
Submitted by

The Office of the Legislative Fiscal Analyst

Helena, Montana

January 1995

NATURAL RESOURCES AND COMMERCE



JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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Fish, Wildlife and Parks

State Lands

Livestock

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4201 00 00000								
PUBLIC SERVICE REGULATION				BIENNIUM BUDGET COMPARISON				
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	44.50	0.00	44.50	44.50	0.00	44.50	44.50	44.50
Personal Services	1,676,932	(70,964)	1,605,968	1,684,103	(71,456)	1,612,647	3,281,173	3,218,615
Operating Expenses	583,737	5,000	588,737	473,862	5,000	478,862	1,084,322	1,067,599
Equipment	73,702	4,000	77,702	17,450	0	17,450	46,740	95,152
Total Costs	\$2,334,371	(\$61,964)	\$2,272,407	\$2,175,415	(\$66,456)	\$2,108,959	\$4,412,235	\$4,381,366
Fund Sources								
State/Other Special	2,308,703	(64,464)	2,244,239	2,149,747	(68,956)	2,080,791	4,364,730	4,325,030
Federal Special	25,668	2,500	28,168	25,668	2,500	28,168	47,505	56,336
Total Funds	\$2,334,371	(\$61,964)	\$2,272,407	\$2,175,415	(\$66,456)	\$2,108,959	\$4,412,235	\$4,381,366

Agency Description

The Department of Public Service Regulation (PSR) regulates the public utility, motor carrier, and railroad industries to provide consumers with safe, reliable, and adequate services at the lowest cost while providing the regulated industries with a fair and reasonable return on their investment. The department is provided for in sections 2-15-2601 and 69-1-102, MCA, and operates under one program, the Public Service Regulation. This program is overseen by five commissioners elected from districts throughout Montana.

4201 00 00000								
PUBLIC SERVICE REGULATION								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	44.50	0.00	0.00	44.50	0.00	0.00	44.50	44.50
Personal Services	1,658,149	18,783	(70,964)	1,605,968	25,954	(71,456)	1,612,647	3,218,615
Operating Expenses	437,380	146,357	5,000	588,737	36,482	5,000	478,862	1,067,599
Equipment	3,878	69,824	4,000	77,702	13,572	0	17,450	95,152
Total Costs	\$2,099,407	\$234,964	(\$61,964)	\$2,272,407	\$76,008	(\$66,456)	\$2,108,959	\$4,381,366
Fund Sources								
State/Other Special	2,080,070	228,633	(64,464)	2,244,239	69,677	(68,956)	2,080,791	4,325,030
Federal Special	19,337	6,331	2,500	28,168	6,331	2,500	28,168	56,336
Total Funds	\$2,099,407	\$234,964	(\$61,964)	\$2,272,407	\$76,008	(\$66,456)	\$2,108,959	\$4,381,366

Funding

Prior to the 1993 legislative session, the department had been funded entirely with general fund. With the passage of HB 413 in the 1993 legislative session, utility tax receipts are deposited in a state special revenue account rather than in the general fund and the department is funded from the state special revenue account. By statute, the utility tax is levied on regulated utilities to generate the amount of the agency's appropriation (see "Other LFA Present Law Issues"). Federal revenue finances the natural gas pipeline safety program on a 50/50 state special match basis and also provides indirect cost support.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$18,783		\$25,954
2 Inflation/Deflation		4,224		6,805
3 Fixed Costs		25,291		9,640
<i>Other Executive Present Law Adjustments</i>				
4 Consultant Biennial Appropriation		\$56,114		(\$43,886)
5 Travel		16,302		16,302
6 Building Rent		29,829		35,556
7 Other		14,597		12,065
8 Equipment (zero based)		69,824		13,572
<i>Total Executive Present Law Adjustments</i>	0.00	\$234,964	0.00	\$76,008
<i>Other LFA Present Law Issues</i>				
* Utility Tax				

1) Personal Services - Increases are primarily due to the net of the fiscal 1995 pay plan authorized by the 1993 legislature and retirement payouts.

2) Inflation & 3) Fixed Costs - Fixed costs increase in fiscal 1994 due to the \$15,409 biennial appropriation requested in fiscal 1996 to pay Legislative Auditor fees. In fiscal 1994, \$1,904 was spent for this purpose.

4) Consultant Biennial Appropriation - The executive requests the amount appropriated for fiscal years 1994 (\$113,141) and 1995 (\$13,141) for consultants and professional services for: a) expert witnesses to represent the department in hearings before federal agencies; b) review of least-cost plans submitted by utilities; and c) court reporter costs. Since \$100,000 of the request is a biennial appropriation, the request is \$56,114 greater in fiscal 1996 and \$43,886 less in fiscal 1997 than actual fiscal 1994 expenditures of \$57,027. In the 1993 biennium, the department was authorized a \$50,000 biennial appropriation for expert witnesses, of which \$42,588 was expended.

5) Travel - The executive includes \$76,705 each fiscal year for travel, an increase of \$16,302 each year. The executive states that the fiscal 1994 base year for travel was unusually low due to a vacant utility engineer position and other positions intentionally left vacant to fund imposed vacancy savings. Travel expenditures totaled \$60,403 in fiscal 1994 and \$71,559 in fiscal 1993.

6) Building Rent - The executive requests \$29,829 additional rent in fiscal 1996 and \$35,556 in fiscal 1997 for a non-state owned building, an increase of 26 percent between fiscal 1994 and 1996. This increase is due to two factors: a) the annual inflation clause in the 7-year rental agreement; and b) fiscal 1994 expenditures reflecting only 10 months of rent due to changing from a yearly to a monthly payment schedule in September 1993. The executive anticipates that this increase will be nearly 4 percent annually.

7) Other - Other increases include increased dues in professional organizations, recruiting expenses, communication charges, data processing supplies, and the department's share of the state funds indirect cost recovery.

8) Equipment - The executive includes \$73,702 in fiscal 1996 and \$17,450 in fiscal 1997 to purchase replacement equipment. The request includes: a) one vehicle each year - \$31,600; b) computer equipment (one file server, nine computers, printer, and software) - \$56,402; and c) office equipment - \$1,800. The three-year average for equipment purchases is \$78,532.

Other LFA Present Law Issues - The department is funded with revenue derived from a utility tax levied on gross operating revenue of public utilities regulated by the PSC. By statute (69-1-403, MCA), the utility tax is calculated to generate the amount of the agency's appropriation less any excess collected in the previous year. In fiscal 1994, the tax rate of .28 percent generated excess deposits of \$225,290 over expenditures. This excess caused the tax rate to decrease to .23 percent in fiscal 1995. The Executive Budget for fiscal years 1996 and 1997 is greater than anticipated tax collections in fiscal 1995. Therefore, the tax would need to generate an additional \$445,635 in fiscal 1996 and \$282,187 in fiscal 1997 over the fiscal 1995 level to fund the executive 1997 biennium budget.

4201 00 00000							
Executive Budget New Proposals							
New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds	
1 Master Meter			\$5,000			\$5,000	
2 Color Printer			4,000				
3 Personal Services Reductions			(70,964)			(71,456)	
Totals			(\$61,964)			(\$66,456)	

Executive New Proposals

1) Master Meter - The executive requests an additional \$5,000 each year (one-half state special and one-half federal) to train and assist natural gas master meter operators, in Montana, who fall under the department's pipeline safety program in complying with the rules and regulations of operation. Master meter operators are those individuals who operate a pipeline system for distributing gas within a definable area such as a university, hospital or mobile home park. The master meter operator purchases metered gas for resale to the ultimate consumer through a gas distribution system. The 1993 legislature approved the same request for a one-time effort to identify the master meter operators.

2) Color Printer - The Executive Budget includes \$4,000 state special revenue in fiscal 1996 to purchase a new color printer. Because this request is for new, rather than replacement, equipment it is requested as a new proposal.

3) Personal Services Reduction - The executive imposes a vacancy savings rate of 4.23 percent for reductions in personal services funding of \$70,964 state special revenue in fiscal 1996 and \$71,456 in fiscal 1997. Areas of reduced services or other justification for the decrease was not provided.

5201 00 00000								
DEPT OF FISH, WILDLIFE & PARKS								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	551.37	(6.91)	544.46	551.37	(6.16)	545.21	553.37	545.21
Personal Services	18,260,123	(646,028)	17,614,095	18,346,418	(631,182)	17,715,236	35,717,400	35,329,331
Operating Expenses	14,293,306	2,076,612	16,369,918	13,086,426	1,996,837	15,083,263	26,434,132	31,453,181
Equipment	1,542,395	370,458	1,912,853	1,144,211	381,480	1,525,691	3,119,687	3,438,544
Capital Outlay	0	0	0	0	0	0	17,347,358	0
Grants	1,015,860	0	1,015,860	300,860	0	300,860	1,534,024	1,316,720
Benefits and Claims	15,000	0	15,000	15,000	0	15,000	19,497	30,000
Transfers	3,216,310	0	3,216,310	3,308,060	0	3,308,060	4,584,662	6,524,370
Debt Service	0	0	0	0	0	0	31,737	0
Total Costs	\$38,342,994	\$1,801,042	\$40,144,036	\$36,200,975	\$1,747,135	\$37,948,110	\$88,788,497	\$78,092,146
Fund Sources								
General Fund	273,777	12,000	285,777	264,840	20,000	284,840	563,961	570,617
State/Other Special	25,420,429	426,796	25,847,225	24,130,984	418,760	24,549,744	63,702,761	50,396,969
Federal Special	10,304,610	1,209,981	11,514,591	9,850,708	1,124,276	10,974,984	20,022,345	22,489,575
Proprietary	2,344,178	152,265	2,496,443	1,954,443	184,099	2,138,542	4,499,430	4,634,985
Total Funds	\$38,342,994	\$1,801,042	\$40,144,036	\$36,200,975	\$1,747,135	\$37,948,110	\$88,788,497	\$78,092,146

Agency Description

The Montana Department of Fish, Wildlife, and Parks (FWP) is responsible for managing Montana's fish, wildlife, and recreational resources and providing outdoor recreational opportunities for Montanans. The department is responsible for a state park system that includes scenic, historical, cultural, and recreational resources. The department's operational programs are in seven divisions and seven regional field offices. The five-member FWP Commission provides policy direction on resource management, seasons, and use of department lands.

5201 00 00000								
DEPT OF FISH, WILDLIFE & PARKS								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	554.95	(3.58)	(6.91)	544.46	(3.58)	(6.16)	545.21	545.21
Personal Services	17,870,078	390,045	(646,028)	17,614,095	476,340	(631,182)	17,715,236	35,329,331
Operating Expenses	12,269,362	2,023,944	2,076,612	16,369,918	817,064	1,996,837	15,083,263	31,453,181
Equipment	1,442,896	99,499	370,458	1,912,853	(298,685)	381,480	1,525,691	3,438,544
Grants	269,127	746,733	0	1,015,860	31,733	0	300,860	1,316,720
Benefits and Claims	9,497	5,503	0	15,000	5,503	0	15,000	30,000
Transfers	193,195	3,023,115	0	3,216,310	3,114,865	0	3,308,060	6,524,370
Debt Service	31,737	(31,737)	0	0	(31,737)	0	0	0
Total Costs	\$32,085,892	\$6,257,102	\$1,801,042	\$40,144,036	\$4,115,083	\$1,747,135	\$37,948,110	\$78,092,146
Fund Sources								
General Fund	288,024	(14,247)	12,000	285,777	(23,184)	20,000	284,840	570,617
State/Other Special	22,698,310	2,722,119	426,796	25,847,225	1,432,674	418,760	24,549,744	50,396,969
Federal Special	7,019,742	3,284,868	1,209,981	11,514,591	2,830,966	1,124,276	10,974,984	22,489,575
Proprietary	2,079,816	264,362	152,265	2,496,443	(125,373)	184,099	2,138,542	4,634,985
Total Funds	\$32,085,892	\$6,257,102	\$1,801,042	\$40,144,036	\$4,115,083	\$1,747,135	\$37,948,110	\$78,092,146

Executive Budget Proposal

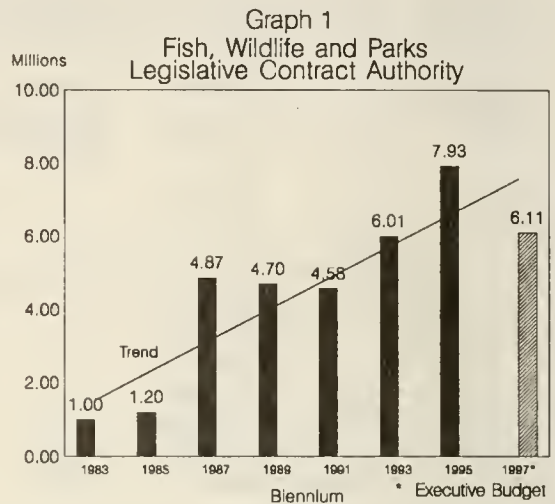
The program narratives that follow include descriptions of changes to the base included in the executive present law, and executive new proposals. The following table summarizes all new proposals included in the Executive Budget.

Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Admin/Finance Equipment	0.00	\$0	\$18,320	0.00	\$0	\$24,140
2 Migratory Bird Harvest Survey	0.00	0	0	0.75	0	75,000
3 Vehicle Proprietary Account	0.00	0	150,985	0.00	0	173,188
4 Personal Services Reductions	0.00	0	(48,347)	0.00	0	(49,009)
5 Field Services Equipment	0.00	0	4,250	0.00	0	6,000
6 R-7 Block Management	1.20	0	243,967	1.20	0	304,069
7 Aircraft Maintenance	0.00	0	28,000	0.00	0	44,000
8 Personal Services Reductions	(4.70)	0	(138,868)	(4.70)	0	(139,931)
9 Clark Fork Investigation	1.00	0	54,694	1.00	0	54,818
10 Fisheries P E I S	0.00	0	200,000	0.00	0	120,000
11 Fisheries Equipment	0.00	0	97,790	0.00	0	63,687
12 Personal Services Reductions	(1.50)	0	(139,658)	(1.50)	0	(141,125)
13 Warden Relocation	0.00	0	37,000	0.00	0	37,000
14 Enforcement Equipment	0.00	0	64,900	0.00	0	69,900
15 Law Enforcement Travel	0.00	0	130,000	0.00	0	133,000
16 Personal Services Reductions	(2.00)	0	(141,069)	(2.00)	0	(142,427)
17 Black Bear Research	0.00	0	119,900	0.00	0	119,900
18 Black Footed Ferret	0.00	0	50,000	0.00	0	50,000
19 Habitat Enhancement	0.00	0	530,000	0.00	0	530,000
20 Wildlife Equipment	0.00	0	6,850	0.00	0	4,000
21 Survey & Inventory	0.00	0	271,945	0.00	0	271,945
22 Wildlife Programmatic EIS	0.00	0	116,640	0.00	0	0
23 Personal Services Reductions	(1.00)	0	(113,534)	(1.00)	0	(114,807)
24 Parks Equipment	0.00	12,000	94,890	0.00	20,000	125,957
25 Capitol Grounds Equipment	0.00	0	4,000	0.00	0	0
26 Personal Services Reductions	(2.41)	0	(151,101)	(2.41)	0	(152,506)
27 Hunter Ethics	0.00	0	10,000	0.00	0	10,000
28 Hunter Education	0.00	0	60,000	0.00	0	60,000
29 Conservation/Ed Equipment	0.00	0	7,000	0.00	0	3,500
30 Personal Services Reductions	0.00	0	(21,918)	0.00	0	(22,218)
31 Attorney General Assistance	0.00	0	36,100	0.00	0	36,100
32 Dept Management Equipment	0.00	0	12,500	0.00	0	12,500
33 Area Office Implementation	2.50	0	183,906	2.50	0	184,074
34 Contracted Services	0.00	0	60,000	0.00	0	35,000
35 Personal Services Reductions	0.00	0	(38,100)	0.00	0	(38,620)
Totals	(6.91)	\$12,000	\$1,801,042	(6.16)	\$20,000	\$1,747,135

Other LFA Issues

Legislative Contract Authority - 1) Legislative contract authority (LCA) provides a means by which the legislature appropriates additional federal and private funds the Department of Fish, Wildlife, and Parks (FWP) receives after the legislature adjourns, thus eliminating the need for budget amendments. Historically, FWP has been the only agency authorized LCA; all other agencies must use the budget amendment process. However, in the 1995 biennium, LCA was also approved for the Montana State Library and in the 1997 biennium, the executive is requesting LCA for the Department of Justice and Montana Board of Crime Control.

As shown in Graph 1, FWP has received \$36.4 million of LCA since fiscal 1982, when this mechanism was first established. Biennial LCA appropriations in FWP have increased from \$1.0 million in the 1983 biennium to \$7.9 million in the 1995 biennium, an average annual increase of 17.75 percent. In comparison, 101 budget amendments totaling \$12.5 million were approved for all other agencies in fiscal 1994. FTE added through LCA in FWP has also increased, from 37.58 FTE in fiscal 1990 to 45.49 FTE in fiscal 1994. The executive requests \$6.11 million in the 1997 biennium, second only to the 1995 biennium level.



LCA has increased from 3.2 percent in fiscal 1982 to 11.6 percent of the appropriated budget in the 1995 biennium, the highest percentage since LCA began. However, LCA decreases to 8.49 percent in the executive request for the 1997 biennium.

2) As with budget amendments, the need for LCA appropriations may not be known at the time the legislature is in session. However, there are some differences between budget amendments and LCA. Unlike budget amendments, the Legislative Finance Committee does not review each individual LCA request to ensure it meets statutory criteria. Two of the statutory criteria of the budget amendment process is that funds were unavailable for legislative consideration and that additional services will be provided as a result of the expenditures. Much LCA activity does not meet these criteria. As Table 1 shows, projects funded through LCA do not provide additional services since these projects have been in existence for several biennia. The federal funds could have been presented for legislative consideration since they have been received for several years and some accounts have substantial fund balances. As Table 1 further shows, funding for many of the projects that began in fiscal 1990 with LCA and were continued with LCA in the 1995 biennium are again being requested for LCA in the 1997 biennium. The department could request spending authority for continuing projects and continuing federal funds through the new proposal process, rather than LCA.

3) The legislature has included special language addressing legislative contract authority of the department: "The appropriation for the legislative contract authority are subject to the following provisions:

- a) Legislative contract authority applies only to federal and private funds.
- b) The department may transfer appropriation authority between state special revenue and federal special revenue. Transfers may not change the total appropriated to the department for legislative contract authority.
- c) Legislative contract authority expenditures must be reported on state accounting records. The records must be separate from present law operations.

Table 1
FWP Projects Continued with LCA

Project Title	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	Request 1996	Request 1997
Administration & Finance							
Personnel Clerk		\$7,369	\$11,385	\$11,601	\$17,955	\$60,000	\$60,000
Fisheries							
Hungry Horse Mitigation/Implementation				\$140,909	\$262,567	\$360,000	\$360,000
Libby Reservoir/Kootenai River			\$219,017	222,504	222,125	280,000	350,000
Flathead NF Fish Monitoring	\$38,891	\$40,492	43,208	14,942	11,906		
ARCO Restoration Funds				2,042	10,104	50,000	50,000
Bitterroot Coop Fish Biologist	32,067	32,226	34,040	35,668	37,577	40,000	40,000
Blackfoot River Challenge Grant			298	1,000	4,599	50,000	50,000
Milltown Mitigation-MPC			23,489			10,000	10,000
Madison River Grayling/Trout	15,405	34,657	11,705	55,365	41,424	54,500	54,500
Big Hole River Grayling Study			9,694	29,252	36,011	32,700	32,700
Gallatin Forest Inventory		18,772	12,721	30,542	29,856	38,000	38,000
Cutthroat Trout Inventory					32,891	35,700	35,700
Missouri River Pallid Sturgeon Study (BOR)					35,799	40,000	40,000
Missouri Pallid Sturgeon Study	52,968	38,359	48,022	33,319	4,118	18,000	
Pallid Sturgeon Tracking				1,904	6,164	10,000	10,000
Yellowstone Sturgeon Study		12,189	20,543	28,598	28,006	30,000	0
MT Rivers Information System	83,086	33,086	76,995	112,228	115,664	140,000	140,000
Law Enforcement							
Special Investigations	\$12,273	\$25,187	\$18,645	\$28,641	\$42,205	\$80,000	\$80,000
Wildlife							
NWPA Mitigation Coord.-USFS	\$16,931	\$17,782	\$20,327	\$20,842	\$17,464	\$50,000	\$50,000
Thompson Falls Mitigation-MPC		1,494	11,012	3,298		1,000	1,000
Wildlife Mitigation Habitat Enhancement	36,781	96,483	95,003	125,147	101,328	275,000	275,000
Hungry Horse Elk Project	79,240	47,435	87,933	74,900	94,995	50,000	50,000
Nongame Wildlife Monitoring				22,218	73,608	75,000	75,000
South Fork G. Bear Project	81,655	94,265	77,358	80,032	57,589	60,000	60,000
South Fork G. Bear Habitat-USFS	51,413	39,117	76,728	36,774	11,247		
South Fork G. Bear (NFWF)				22,764	14,875	15,000	15,000
Grizzly Bear Management Spec.					39,976	60,000	60,000
Neo-Tropical Bird Monitoring					16,922	25,000	25,000
Upper Bighole Elk Opportunity	3,049	638	3,189	5,670	4,833	7,000	7,000
Prairie Potholes JV-FWS	26,603	39,175	30,977	17,327	30,754	60,000	60,000
Beaver Creek Prairie Potholes				25,307	36,433	60,000	60,000
Memorial Account	3,400	70	1,223		7,102	5,000	5,000
Black Footed Ferret Reintroduction	15,735	17,233	30,204	21,767	23,432	40,000	40,000
Wolf Reintroduction-USFWS			2,636	2,950	3,850	30,000	30,000
Canyon Ferry Operations & Maint.					3,001	8,000	8,000
Granite Butte Elk Habitat-Private		11,253	7,920	752		1,000	1,000
State-Wide Nongame					7,602	3,000	3,000
Parks							
Thompson Chain of Lakes Planning			\$2,519	\$5,895	\$918	\$1,500	\$1,500
Smith River			2,535	4,897	3,255	6,000	6,000
Bannack				3,651	121	1,000	1,000
Plenty Coup					2,110	1,500	1,400
Makoshika					100	2,000	2,000
Conservation Education							
Watchable Wildlife Interpretive Spec.			\$23,931	\$34,219	\$12,162	\$20,000	\$20,000
Videos					40,245	17,500	17,500
Department Management							
Regional Office Assistance	\$37,310	\$41,169	\$49,981	\$93,401	\$94,881	\$125,000	\$125,000
Total	\$586,807	\$648,451	\$1,053,238	\$1,350,326	\$1,637,774	\$2,328,400	\$2,350,300

d) A report must be submitted by the department to the legislative fiscal analyst following the end of each fiscal year of the biennium. The report must include a listing of projects, with the related amount of expenditures for each project."

The legislature may wish to include additional language requiring that legislative contract authority adhere to the same statutory criteria as budget amendments. The legislature may also wish to establish criteria for the Office of Budget and Program Planning to follow in approving agencies' budget submissions and in approving operating budget changes. Criteria for allowable uses of LCA could include use of funds: a) that were not available for consideration by the previous legislature; b) for projects that are not on-going; and c) in cases where an agency has a consistently large number of budget amendments.

General License Account Fund Balance - The general license account is FWP's largest single funding source. Revenue is primarily hunting and fishing license fee collections. Even though total expenditures (operations and capital) from the account have increased since fiscal 1991, the fund balance has continued to grow. Table 2 shows that the projected fund balance will reach a high of \$16.7 million at the end of fiscal 1995 and, as projected by the Executive Budget, will decrease to \$14.0 million by the end of fiscal 1997.

The increasing fund balance in the 1995 biennium is the result of revenue (primarily hunting and fishing license fee revenue) increasing more rapidly than increasing expenditures. Revenues increased in fiscal years 1992, 1993, and 1994 primarily due to phased-in fee increases authorized by the 1991 legislature. The last fee increase went into effect March 1, 1994.

However, the department estimates that the fund balance will decline to \$6.4 million by the end of fiscal 1999 due to: 1) a \$2.2 million decrease in license revenue between fiscal years 1994 and 1999; 2) a \$2.0 million increase in operations above the level requested for the 1997 biennium; and 3) continuation of an expansive capital program slightly less than the record level requested for the 1997 biennium. The department estimates that license revenue will decline from the peak in fiscal 1994 due to fewer licenses sold as a result of declining mule deer and antelope populations. Since these declines will occur mostly in the higher priced non-resident licenses, revenue is substantially impacted. Capital expenditures are primarily for fish hatchery renovations and maintenance, fishing access site protection, and administrative facility repair and maintenance. Over the past three biennia, capital appropriations have averaged \$1.5 million per biennium. If capital appropriations were held at these historical levels and disbursements carried forward at the 1997 biennium requested level, the fund balance would increase to \$14.7 million by the end of fiscal 1999.

Early Retirements - Throughout the following program narratives are explanations for changes in personal services. A common element in most programs are increases over base expenditures due to diversion of fiscal 1994 funds for unfunded early retirement costs. In fiscal 1994, the department paid \$345,121 as a result of early retirements, which is reflected in the base. These expenditures are not budgeted in the 1997 biennium.

Equipment - The executive requests authority to purchase replacement equipment in present law and new equipment in new proposals. In both present law and new proposals, the executive requests \$3,438,544 for equipment purchases in the 1997 biennium, \$12,382 less than the amount appropriated in the 1995 biennium.

Table 2
FWP General License Account
1997 Biennium Executive Budget Request

	Fiscal 1994	Fiscal 1995	Request 1996	Request 1997
Beginning Balance	\$10,176,691	\$14,209,771	\$16,088,475	\$16,712,290
Revenues	23,200,161	22,916,900	21,915,153	21,257,718
Total Funds Available	\$33,376,852	\$37,126,671	\$38,003,628	\$37,970,008
Disbursements				
Program Expenditures	\$18,067,221	\$17,850,514	\$19,461,220	\$19,340,561
Continuing Capital Costs	447,160	568,665	0	0
LRB Projects	449,173	1,965,787	1,412,630	4,237,890
Pay Plan		133,073		
New Proposals		520,157	417,488	386,965
Total Disbursements	\$18,963,554	\$21,038,196	\$21,291,338	\$23,965,416
Adjustments	(203,527)			
Ending Balance	\$14,209,771	\$16,088,475	\$16,712,290	\$14,004,592

Watchable Wildlife - The watchable wildlife program began as the nongame program in fiscal 1990 as a one-time budget modification for 0.60 FTE in the Wildlife Division. At the executive request, the 1993 legislature moved the program to the Conservation Education Division. The executive now wishes to separate the nongame and watchable wildlife programs and transfer them from the Conservation Education Division to two other divisions: 1) watchable wildlife program to the Parks Division - 0.60 FTE and \$39,501 in fiscal 1996 and \$47,612 in fiscal 1997; and 2) nongame program to the Wildlife Division - 0.40 FTE and \$27,542 in fiscal 1996 and \$27,590 in fiscal 1997. The funding of the watchable wildlife program consists of: 1) income tax check-off donations - \$17,000 each fiscal year; and 2) general license account - \$22,501 in fiscal 1996 and \$30,612 in fiscal 1997.

LFA Issues - Three issues are raised with the transfer:

1) Since the reductions in the Conservation Education Division total 1.00 FTE and \$49,672 in fiscal 1996 and \$49,857 in fiscal 1997, the Executive Budget increases the program by \$17,371 in fiscal 1996 and \$25,345 in fiscal 1997 by the transfer.

2) License fees, collected from hunters and anglers, are used to fund a portion of the watchable wildlife program in the Parks Division. In the past, this program was supported by income tax check-off revenue. If the income tax check-off statute is eliminated (see issue below), the department may replace the lost funding with additional hunter and angler fee revenue.

3) The executive estimates that revenue from the watchable wildlife voluntary income tax check-off (section 15-30-150, MCA) will be \$17,000 each fiscal year, a decrease from fiscal 1994 collections of \$18,792. HB 689 (1993 session) provided that this section be eliminated if less than \$20,000 was raised in the past two consecutive tax years, beginning tax year 1993. Revenue raised by the tax check-off for this program was \$18,792 in tax year 1993 and \$21,662 in tax year 1992. Since the trend indicates a decreasing amount of collections and since calendar 1993 collections were less than \$20,000, the program may terminate January 1, 1995.

5201 01 00000								
DEPT OF FISH, WILDLIFE & PARKS				ADMINISTRATION & FINANCE DIV.				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	52.88	0.00	0.00	52.88	0.00	0.75	53.63	53.63
Personal Services	1,525,011	78,335	(48,347)	1,554,999	85,749	(29,509)	1,581,251	3,136,250
Operating Expenses	2,360,412	382,963	91,027	2,834,402	387,730	156,892	2,905,034	5,739,436
Equipment	840,372	90,481	78,278	1,009,131	(129,716)	95,936	806,592	1,815,723
Transfers	175,009	113,801	0	288,810	69,151	0	244,160	532,970
Total Costs	\$4,900,804	\$665,580	\$120,958	\$5,687,342	\$412,914	\$223,319	\$5,537,037	\$11,224,379
Fund Sources								
State/Other Special	2,788,473	598,922	(5,854)	3,381,541	547,789	37,135	3,373,397	6,754,938
Federal Special	463,862	(29,156)	0	434,706	(40,911)	37,500	460,451	895,157
Proprietary	1,648,469	95,814	126,812	1,871,095	(93,964)	148,684	1,703,189	3,574,284
Total Funds	\$4,900,804	\$665,580	\$120,958	\$5,687,342	\$412,914	\$223,319	\$5,537,037	\$11,224,379

Program Description

The Administration and Finance Division is the administrative and support unit that provides department-wide support for accounting, fiscal management, purchasing and property management, personnel, federal aid administration, and word processing functions. In addition, the program administers a planning system to formulate and evaluate department-wide work efforts. The Licensing and Data Processing Bureau provides support for the department's automated functions and administers the license drawings, maintains all associated records, distributes all licenses to licensing agents, and keeps the necessary records.

Funding

The Administration and Finance Division's operating budget is funded from the general license account and indirect cost assessments on federal grants and non-federal accounts. The non-federal fund assessments of 11.1 percent on operations and 5.2 percent on capital appropriations are a non-budgeted transfer to the general license account, from which all expenses are paid. The federal overhead rate of 17.7 percent is applied to federal grants, which include Pittman-Robertson funds, Land and Water Conservation Fund (LWCF) monies, Corps of Engineers, and Coast Guard grants. The Field Services and Department Management divisions also share a portion of the federal and non-federal indirect cost pools, and the Parks Division receives indirect cost funds from the LWCF. LCA is funded with \$60,000 each year of federal funds.

The division's three proprietary accounts consist of: 1) the duplicating center; 2) the vehicle enterprise fund, which funds vehicle replacements and receives revenue from a per-mile charge to all department's programs for use of vehicles; and 3) the warehouse account, which funds the department's surplus property sales. The general license account funds personal services in the vehicle and warehouse programs, in addition to proprietary funding.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$78,335		\$85,749
2 Inflation/Deflation		24,096		56,887
3 Fixed Costs		147,947		111,021
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$14,670		\$7,670
5 License Commissions		41,491		59,250
6 Printing		67,297		59,797
7 Statewide Indirect Costs		27,443		27,443
8 Warehouse Inventory Increase		56,317		56,317
9 Vehicle Inflation Differential Transfer		53,801		9,151
10 Legislative Contract Authority Transfer		60,000		60,000
11 Equipment		90,481		(129,716)
12 Other		3,702		9,345
<i>Total Executive Present Law Adjustments</i>	0.00	\$665,580	0.00	\$412,914

1) Personal Services - The increase is due primarily to the net of vacancy savings and the pay plan authorized by the 1993 legislature, and retirement and other termination costs. The executive's base budget reflects the transfer of 0.10 FTE to the Field Services Division to establish 3.70 FTE field-based conservation specialists positions in that division.

2) Inflation & 3) Fixed Costs - A large part of the inflationary increase is due to the large amount of gasoline budgeted for the department's vehicle fleet and the anticipated increase in price. Fixed costs increase primarily due to large increases in warrant writing services, state fund cost allocation plan, Department of Administration's ISD data processing fees, and building rent. Fixed costs increase less in fiscal 1997 primarily due to the \$60,863 biennial appropriation requested to pay Legislative Auditor fees. In fiscal 1994, \$39,613 was spent for this purpose.

4) Contracted Services - The executive requests \$22,000 in fiscal 1996 and \$15,000 in fiscal 1997 in contracted services, an increase over the \$7,330 spent in fiscal 1994. These contracted services include: a) a maintenance and enhancement contract with ISD for the department's budget allocation system (BAS) - \$10,000 in fiscal 1996 and \$8,000 in fiscal 1997; b) drug testing for certain employees - \$5,000 each year; c) data entry of historic personnel data onto a newly purchased personnel maintenance software package - \$5,000 in fiscal 1996; and d) copying and filing projects - \$2,000 each year. The department has developed a mainframe/personal computer system for allocating its appropriated budget (called BAS) among its numerous projects and funding sources. Since the legislature did not specifically appropriate funds for the development of this system, authority for other uses was used.

5) License Commissions - The executive requests \$540,634 in fiscal 1996 and \$558,393 in fiscal 1997 for license agents' commissions, an increase over the \$499,143 spent in fiscal 1994. License agents receive a \$0.50 commission for each license sold for the department. Although fewer antelope and mule deer licenses are anticipated to be sold, the executive estimates that total license sales will increase 3.3 percent each year, the same rate as the last five years.

6) Printing - The executive requests \$162,244 in fiscal 1996 and \$154,744 in fiscal 1997 for printing, an increase over the \$94,947 spent in fiscal 1994. The requests includes: a) new "window" mailers that are compatible with the U.S. Postal Service scanners - \$53,742 each year; b) over-the-counter hunting and fishing licenses - \$75,502 each year; c) 500 copies of the department personnel manual - \$7,500 in fiscal 1996; d) three additional licensee mail surveys - \$3,000 each year; and e) special licenses, rules, forms, and applications - \$22,500 each year. Department staff state that existing stock of obsolete "window" mailers was used in fiscal 1994, thus lowering base expenditures.

7) Statewide Indirect Costs - The executive requests \$83,500 each year to pay statewide cost allocation plan expenses to the general fund, an increase over the \$56,057 spent in fiscal 1994. These expenses reimburse general fund for a portion of services provided by other general funded agencies to federally financed projects. Funding is from a portion of federal funds allocated to the department to pay indirect costs. The department estimates that 5.0 percent of the \$1,670,000 federal funds available for indirect costs will be deposited to the general fund each year.

8) Warehouse Inventory Increase - The executive requests \$120,000 each year of proprietary funds to increase the inventory of department uniforms and other specialty items for employees, an increase over the \$63,683 spent in fiscal 1994. These items are purchased centrally by this program and sold to other divisions. Department staff state that fiscal 1994 purchases were low due to a reduction of inventory caused by changes in the kind of inventory, such as different style of uniforms. Historically, the level of purchases in this program is \$128,780.

9) Vehicle Inflation Differential Transfer - The executive requests \$228,810 in fiscal 1996 and \$184,160 in fiscal 1997 from the general license account to deposit to the vehicle proprietary account, an increase over the \$175,009 spent in fiscal 1994. The department charges a per-mile rate to divisions that use fleet vehicles, deposits the money in the proprietary account, and buys new vehicles from funds in the account. However, due to federal requirements, the charge cannot include anticipated inflationary cost increases. Therefore, these increases fund the difference necessary to budget for vehicle replacements.

10) Legislative Contract Authority Transfer - The executive requests \$60,000 each year of legislative contract authority. For discussion of this item, see "Other LFA Issues" in the agency section.

11) Equipment - The executive requests \$930,853 in fiscal 1996 and \$710,656 in fiscal 1997 to purchase replacement equipment. These purchases include: a) 82 vehicles - \$823,503 in fiscal 1996 and \$600,306 in fiscal 1997; b) a tire changer - \$2,310 in fiscal 1997; c) a welder - \$3,000 in fiscal 1997; d) a jointer - \$1,300 in fiscal 1996; e) a tool box - \$1,550 in fiscal 1996; f) office equipment - \$2,220 in fiscal 1996 and \$2,240 in fiscal 1997; and g) 100 computers - \$102,280 in fiscal 1996 and \$102,800 in fiscal 1997.

12) Other - Miscellaneous increases total less than 0.4 percent of fiscal 1994 operating expenditures.

5201 01 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Admin/Finance Equipment			\$18,320			\$24,140
2 Migratory Bird Harvest Survey				0.75		75,000
3 Vehicle Proprietary Account			150,985			173,188
4 Personal Services Reductions			(48,347)			(49,009)
Totals			\$120,958	0.75		\$223,319

Executive New Proposals

1) Administration & Finance Equipment - The executive requests an additional \$18,320 in fiscal 1996 and \$24,140 in fiscal 1997 from the general license account to purchase 20 new computers. Since these computers are not replacing existing equipment, the executive is presenting the request as a new proposal.

2) Migratory Bird Harvest Survey - The executive requests an additional 0.75 FTE and \$75,000 beginning in fiscal 1997 to conduct a migratory bird harvest survey. The federal Fish and Wildlife Service requires that by fiscal 1998, the department more intensively survey migratory bird hunters to provide better harvest information to better manage populations. Hunters will be required to have evidence of current participation in the national migratory bird harvest information program on their person while hunting migratory game birds. Hunters' names and addresses will be used to provide a sampling frame for a voluntary survey. Additional costs will be incurred in redesigning licenses and creating a hunter database of names and addresses. Funding is split between federal funds and the general license account.

Part of the cost of this new proposal involves a change in the license and licensing process, so that license purchasers and their addresses can be relayed quickly to the department and a database created. In the 1995 biennium, the department received a \$60,000 appropriation from the 1993 legislature to study the feasibility of developing an automated license issuing system and to develop a comprehensive sportsmen's database. The study is to determine the feasibility of installing the system at the 450 license agent establishments around the state who would be provided with machines to read codes and transfer the data to the sportsmen's database in Helena. The results of this study are to be presented to the 1995 legislature. Future development of this licensing system and the developments completed as part of the study may duplicate part of this new proposal.

3) Vehicle Proprietary Account - The executive requests an additional \$150,985 in fiscal 1996 and \$173,188 in fiscal 1997 of proprietary authority required in the equipment proprietary account to fund the purchase of vehicles, gasoline, and repairs if all the new proposals requested for the department that contain vehicle or aircraft usage are approved. New proposals that would require additional vehicle travel are: a) R-7 block management, black bear research, black-footed ferret, habitat enhancement, and survey & inventory in the Wildlife Division; and b) fisheries PEIS in the Fisheries Division. Additional aircraft usage would be required if the survey and inventory new proposal in the Wildlife Division is approved. The request includes: a) gasoline - \$49,018 in fiscal 1996 and \$55,928 in fiscal 1997; b) vehicle repair and maintenance - \$17,009 in fiscal 1996 and \$20,464 in fiscal 1997; c) aircraft repair and maintenance - \$25,000 each fiscal year; and d) 7 vehicles - \$59,958 in fiscal 1996 and \$71,796 in fiscal 1997. This new proposal should be contingent on approval of the above-listed new proposals at the executive requested levels.

LFA Issue - A portion of this new proposal requests \$15,000 each year in additional aircraft fuel and \$25,000 each year in aircraft maintenance. Since the aircraft unit is in the Field Services Division, these items should be requested as a new proposal in that division. Such a new proposal should be contingent on approval of the Wildlife Division survey & inventory new proposal that contains funding to pay for additional department aircraft usage.

OPTION: Reduce the new proposal by \$40,000 proprietary funds each fiscal year. Consider the amount as a new proposal in the Field Services Division.

4) Personal Services Reductions - The executive requests a reduction in personal services appropriations of \$48,347 in fiscal 1996 and \$49,009 in fiscal 1997.

LFA Issue - The executive reduces personal services by imposing a 79 percent vacancy savings rate in the vehicle program. Funding for the reduction is split between the general license account and the equipment proprietary account. The only program where the equipment proprietary account funds personal services is in the vehicle program, where nearly one-half of the 2.83 FTE is funded from this account. If the department allocates the vacancy savings funded by the general license account to other programs, the reduction in proprietary funded personal services reflects a 39.5 percent vacancy savings rate in the vehicle program. Areas of reduced services were not provided.

Although the executive is requesting a reduction in personal services for the vehicle program, other new proposals add \$398,175 over the biennium for additional activity in that program. The executive also includes \$3,898 each year of overtime in the present law.

5201 02 00000								
DEPT OF FISH, WILDLIFE & PARKS				FIELD SERVICES DIVISION				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	36.03	0.05	(3.50)	32.58	0.05	(3.50)	32.58	32.58
Personal Services	996,803	111,932	(108,901)	999,834	117,657	(109,862)	1,004,598	2,004,432
Operating Expenses	1,130,332	140,292	242,000	1,512,624	157,986	318,000	1,606,318	3,118,942
Equipment	42,367	(42,367)	4,250	4,250	(36,867)	6,000	11,500	15,750
Benefits and Claims	9,497	5,503	0	15,000	5,503	0	15,000	30,000
Total Costs	\$2,178,999	\$215,360	\$137,349	\$2,531,708	\$244,279	\$214,138	\$2,637,416	\$5,169,124
Fund Sources								
State/Other Special	1,561,770	251,234	(15,651)	1,797,353	288,887	2,138	1,852,795	3,650,148
Federal Special	490,979	(58,732)	123,000	555,247	(57,466)	168,000	601,513	1,156,760
Proprietary	126,250	22,858	30,000	179,108	12,858	44,000	183,108	362,216
Total Funds	\$2,178,999	\$215,360	\$137,349	\$2,531,708	\$244,279	\$214,138	\$2,637,416	\$5,169,124

Program Description

The Field Services Division provides services in five areas. The Game Damage program provides assistance to landowners in minimizing impacts of game animals to their property and crops. The Design and Construction Bureau provides architectural and engineering services for construction and maintenance projects at state parks, state fishing access sites, and wildlife management areas. The Aircraft Unit provides aerial mountain lake surveys and fish planting, wildlife surveys, wildlife capture and marking, and transportation for the department. The Landowner/Sportsmen Relation and Block Management programs establish and maintain communication with user and resource-based organizations and individuals. They also administer the Livestock Loss Reimbursement program and the Block Management program, which provides habitat and recreational access on private property. The Land Unit is responsible for the real estate functions of the department, including acquisition and disposal of real estate and real property and management of all permanent land records and cabin leases.

Funding

The Field Services Division's primary state special funding source is the general license account, with lesser amounts from coal tax trust interest and wildlife habitat trust interest. Federal funding consists of this division's share of the indirect cost pool, as well as Dingell-Johnson and Pittman-Robertson federal grants. The proprietary appropriations fund aircraft equipment, repair, fuel, and insurance for the aircraft unit.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The increase is due to the net of reversions, the pay plan authorized by the 1993 legislature, increased benefits, retirement buyouts, and termination payouts. The executive's base budget and present law FTE adjustments reflect a number of FTE transfers. The executive transfers 3.70 FTE from other divisions to establish field-based conservation specialists positions in the Field Services Division. Due to the elimination of Region 8, the department transferred 2.70 FTE from the Field Services Division to the Department Management Division and reassigned the duties to Region 3. Due to a need in the design and construction bureau, the department transferred

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	0.05	\$111,932		\$117,657
2 Inflation/Deflation		5,838		10,781
3 Fixed Costs		10,010		10,761
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$20,731		\$20,731
5 Game Damage		25,000		35,000
6 Block Management		23,360		23,360
7 Aircraft Maintenance		30,000		20,000
8 Taxes and Assessments		24,000		36,000
9 Equipment		(42,367)		(36,867)
10 Livestock Payments		5,503		5,503
11 Other		1,353		1,353
<i>Total Executive Present Law Adjustments</i>	0.05	\$215,360	0.00	\$244,279

0.75 FTE from other divisions to the Field Services Division.

2) Inflation & 3) Fixed Costs - Fixed costs increase primarily due to the increase in insurance for the aviation unit.

4) Contracted Services - The executive requests \$78,500 each fiscal year to fund contracts for: a) game damage - \$41,000; b) archeological and cultural surveys of potential land purchases - \$15,000; c) topographical planning and surveys - \$10,000; d) grizzly bear trapping - \$5,000; e) a disabled access coordinator - \$5,000; and f) title insurance and miscellaneous bonds - \$2,500. In fiscal 1994, \$57,769 was spent for these and related purposes.

5) Game Damage - The executive requests \$127,135 each fiscal year for construction material to protect haystacks on private land, an increase over the \$102,135 spent in fiscal 1994. The program assists landowners who experience chronic game damage caused by big game animals by providing equipment and material to prevent the depredation, arranging special hunts, and providing herding and scare-tactic devices. Funding is from the general license account. Historically, expenditures for this purpose were \$61,116 in fiscal 1993 and \$44,773 in fiscal 1992. Total expenditures in fiscal 1994 for this program totalled \$250,617.

6) Block Management - The executive requests \$268,601 each year in contracts and division travel expenses primarily associated with the block management program, an increase over the \$245,241 spent in fiscal 1994. The block management program, begun in the early 1980s, provides sportsmen with hunting opportunities on private land by providing coordination between sportsmen and landowners and by providing assistance to landowners in managing hunters and maintaining control over recreational use on their property. Department staff state that the \$24,000 increase each year in travel (funded from the general license account) is requested because landowners were reluctant to enroll in the program in fiscal 1994 due to concerns over resolution of recreational access on state lands. Since the issue has been resolved, there has been an increased interest in the program. Historically, travel expenditures in this division were \$108,026 in fiscal 1993 and \$96,656 in fiscal 1992.

Also requested is \$142,000 in contracts (split 75 percent federal and 25 percent from the general license account). The funding request represents payments to landowners or other individuals to coordinate access, distribute permission slips, give directions, and provide other hunter control measures. The requested \$142,000 each fiscal year is a decrease from the \$142,640 spent in fiscal 1994. Program funding is split approximately 35 percent federal and 65 percent general license account. Expenditures in the program have increased substantially from the \$92,658 spent in fiscal 1986 to \$371,193 spent in fiscal 1994, an average annual increase of 18.94 percent. The program currently has 7.80 FTE.

7) Aircraft Maintenance - The executive requests \$62,995 in fiscal 1996 and \$52,995 in fiscal 1997 for minor aircraft maintenance, an increase over the \$32,995 spent in fiscal 1994. Department staff state that minor routine scheduled maintenance (based on estimated flight hours) on the department's 5 aircraft (2 helicopters, 3 fixed-wing) mandate this increase. Funding is from the equipment proprietary account. Historically, expenditures were \$60,644 in fiscal 1993 and \$57,048 in fiscal 1992. See number 3 in the "Executive New Proposal" section for an additional expenditure request for major aircraft maintenance.

8) Taxes and Assessments - The executive requests \$290,844 in fiscal 1996 and \$302,844 in fiscal 1997 to pay taxes and assessments on department-owned property, an average yearly increase of 4.31 percent over the \$266,844 spent in fiscal 1994. The increase is requested for additional taxes and assessments because of anticipated land purchases. Funding for this item is 50 percent habitat trust interest, 20 percent general license account, 20 percent federal, and 10 percent coal tax trust interest. Since fiscal 1990, payments of taxes and assessments paid have increased at an average yearly rate of 6.69 percent.

9) Equipment - The executive does not request any equipment purchases in fiscal 1996 and requests \$5,500 in fiscal 1997 to purchase 3 bear traps and a magnetic locator.

10) Livestock Payments - The executive requests \$15,000 each year from the general license account to reimburse landowners for livestock shot by hunters when public access is allowed on their property, an increase over the \$9,497 spent in fiscal 1994. Historically, payments were \$8,929 in fiscal 1993 and \$8,414 in fiscal 1992.

11) Other - Miscellaneous increases to the present law total less than 0.20 percent of fiscal 1994 operating expenditures.

5201 02 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Field Services Equipment			\$4,250			\$6,000
2 R-7 Block Management	1.20		243,967	1.20		304,069
3 Aircraft Maintenance			28,000			44,000
4 Personal Services Reductions	(4.70)		(138,868)	(4.70)		(139,931)
Totals	(3.50)		\$137,349	(3.50)		\$214,138

Executive New Proposals

1) Field Services Equipment - The executive requests an additional \$4,250 in fiscal 1996 and \$6,000 in fiscal 1997 to purchase: a) a micro-fiche reader/printer - \$6,000 in fiscal 1997; b) Super Cub navigational system - \$2,000 in fiscal

1996 (proprietary funds); c) 5 bookshelves - \$1,250 in fiscal 1996; and d) 2 computer desks - \$1,000 in fiscal 1996. Funding is from the general license account and the equipment proprietary account.

2) R-7 Block Management - In addition to the \$23,360 increase each fiscal year requested in present law, the executive requests an additional 1.20 FTE and \$243,967 in fiscal 1996 and \$304,069 in fiscal 1997 to expand the current block management program in Region 7 (see number 6 in the "Executive Present Law" section for other funding requests in this program). Department staff state that this new proposal would accelerate attainment of the goal for 6 million acres of free public access to private lands with deer and antelope hunting opportunities under the block management program in Region 7 from the current 2.5 million acres. The proposal would allow the department to: a) secure adequate hunting access by developing new approaches to increase landowner support and by cooperating with federal land managers to mark accessible lands and develop travel management plans; b) refine the region's program to make it more responsive and cost effective; and c) assist with the region's game damage problems and recommend preventative measures. The added personnel would develop a communications network between landowners and hunters. Funding is approximately 53 percent federal and 47 percent general license account for the biennium.

LFA Issues - Approval of this new proposal would increase the block management program by 65.7 percent in fiscal 1996 and 81.9 percent in fiscal 1997 over the \$371,193 spent in fiscal 1994 for the program. Department personnel in the program would increase 15.4 percent from 7.80 FTE to 9.00 FTE.

3) Aircraft Maintenance - The executive requests an additional \$28,000 proprietary funds in fiscal 1996 and \$44,000 in fiscal 1997 for major periodic maintenance of the department's five aircraft (based on estimated flight hours) as required to meet FAA requirements. The request includes: a) engine replacement for the Bell 47 helicopter - \$28,000 in fiscal 1996; b) engine replacement for the Super Cub - \$14,000 in fiscal 1997; c) transmission overhaul and flex couplings for the MD500 helicopter - \$26,000 in fiscal 1997; and d) blade grip replacement for the Bell 47 helicopter - \$4,000 in fiscal 1997. See number 7 in the "Executive Present Law" section for an additional request for minor aircraft maintenance.

4) Personal Services Reductions - The executive reduces personal services by 4.70 FTE (from 36.08 to 31.38) and \$109,006 in fiscal 1996 and \$109,661 in fiscal 1997. In addition, a 2.99 percent vacancy savings rate was applied to further reduce personal services by \$29,862 in fiscal 1996 and \$30,270 in fiscal 1997. FTE reductions include 1.50 sign painters, 1.30 information specialists, 1.15 unclassified, 0.50 laborers, and 0.25 administrative support.

LFA Issue - Although this new proposal would decrease personal services funding in the division, the executive requests new proposals that would increase FTE by 1.20. In addition, although the executive proposal would reduce FTE and applies vacancy savings, the executive includes \$2,701 each year in overtime.

The proposal would eliminate the department sign shop in Whitehall. The sign shop produces specialized signs for the department that cannot be done in the prison industries program. Department staff state that past experiences indicate that the sign shop can produce the desired products more cost effectively and with a better quality than contracting. According to the department, an amount greater than the savings achieved through the elimination of the sign shop would be required to contract for the same level of services. No additional authority is requested to provide this service.

Other LFA Issues with Present Law - The executive includes the Vehicle Proprietary Account new proposal in the Administration and Finance Division for \$15,000 each year in additional aircraft fuel and \$25,000 each year in aircraft maintenance. Since the aircraft unit is in the Field Services Division, these items should be requested and included as a new proposal in this program.

5201 03 00000								
DEPT OF FISH, WILDLIFE & PARKS				FISHERIES DIVISION				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	106.69	(1.10)	(0.50)	105.09	(1.10)	(0.50)	105.09	105.09
Personal Services	3,513,106	(24,638)	(104,964)	3,383,504	(8,257)	(106,307)	3,398,542	6,782,046
Operating Expenses	1,660,063	293,967	220,000	2,174,030	135,114	140,000	1,935,177	4,109,207
Equipment	120,948	199	97,790	218,937	34,302	63,687	218,937	437,874
Grants	28,500	50,000	0	78,500	50,000	0	78,500	157,000
Transfers	15,334	1,651,666	0	1,667,000	1,828,066	0	1,843,400	3,510,400
Total Costs	\$5,337,951	\$1,971,194	\$212,826	\$7,521,971	\$2,039,225	\$97,380	\$7,474,556	\$14,996,527
Fund Sources								
State/Other Special	2,679,554	399,446	47,165	3,126,165	276,058	9,074	2,964,686	6,090,851
Federal Special	2,658,397	1,571,748	165,661	4,395,806	1,763,167	88,306	4,509,870	8,905,676
Total Funds	\$5,337,951	\$1,971,194	\$212,826	\$7,521,971	\$2,039,225	\$97,380	\$7,474,556	\$14,996,527

Program Description

The Fisheries Division is responsible for preserving and perpetuating aquatic species and their ecosystems and for meeting public demand for fishing opportunities. The division formulates and implements policies and programs that emphasize management for wild fish populations and protection of habitat necessary to maintain these populations. The program operates: 1) a hatchery program to stock lakes and reservoirs where natural reproduction is limited; 2) regulates angler harvests; 3) monitors fish populations; and 4) provides and maintains adequate public access.

Funding

The Fisheries Division's primary state special revenue funding source is the general license account. Federal funds consist of Dingell-Johnson and Pittman-Robertson funds, and grants from the Coast Guard and Corps of Engineers. LCA is funded with state special revenue from private sources and federal funds.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The reduction in personal services results primarily from non-budgeted early retirement costs that increased fiscal 1994 expenditures. Partially offsetting this reduction was annualization of the 1995 biennium pay plan, vacancy savings, and upgrades. In fiscal 1994, 17 of the division's fish and wildlife biologists received grade reclassification from 14 to 15 and four resource program managers received grade increases from 16 to 17. The executive makes the reduction for the one-time Clark Fork River 1.00 FTE in present law; however, the expenditures have already been removed from the base. The executive's base and present law adjustments also reflect a transfer of 0.75 FTE from this division to establish 3.70 FTE field-based conservation specialists positions in the Field Services Division. Due to a need in the design and construction bureau, the department transfers 0.10 FTE from the Fisheries Division to the Field Services Division to create a 0.75 FTE in that division.

2) Inflation & 3) Fixed Costs - Inflation of operating expenses is due primarily from expected cost increases in utilities, fish food, and printing. Because audit costs and messenger services are not paid by this division, fixed costs

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(1.10)	(\$24,638)		(\$8,257)
2 Inflation/Deflation		29,879		41,625
3 Fixed Costs		(526)		(526)
<i>Other Executive Present Law Adjustments</i>				
4 Cyclical Adjustments		\$19,637		(\$55,363)
5 Fish Food		5,610		11,444
6 Non-Budgeted Personal Services Costs		59,595		74,162
7 Contracted Services		106,572		105,572
8 Water Leasing (biennial)		55,534		(19,466)
9 Evaluation of Fish Introductions (biennial)		24,069		(15,931)
10 Equipment		199		34,302
11 Grants		50,000		50,000
12 State Library NRIS Transfer		(15,334)		(15,334)
13 Legislative Contract Authority Transfers		1,667,000		1,843,400
14 Other		(6,403)		(6,403)
<i>Total Executive Present Law Adjustments</i>	<i>(1.10)</i>	<i>\$1,971,194</i>	<i>0.00</i>	<i>\$2,039,225</i>
<i>LFA Issues With Executive PL Adjustments</i>				
6 Non-Budgeted Personal Services Costs				
7 Contracted Services				
12 State Library NRIS Transfer				

decrease by \$526 each fiscal year.

4) Cyclical Adjustments - Two activities in the division occur on a cyclical basis and, therefore, do not need to be budgeted every year: a) printing of fishing regulations and addendums; and b) angler harvest surveys. The executive requests \$50,000 in fiscal 1996 to print fishing regulations, an increase over the \$39,384 spent in fiscal 1994. The executive requests \$20,000 in fiscal 1997 to print addendums and additional regulations, a decrease from the \$23,580 spent in fiscal 1993. Initial printing costs in the even-numbered years have decreased because the department is limiting the number of regulations supplied to non-license agents. However, the number of additional printed regulations in odd-numbered years have increased. The executive requests \$75,000 in fiscal 1996 for angler harvest surveys conducted in the even-numbered years, an increase over the \$65,979 spent in fiscal 1994. In fiscal 1997, \$30,000 is requested to analyze the data and prepare reports.

5) Fish Food - The executive requests \$111,650 federal funds in fiscal 1996 and \$117,484 in fiscal 1997 for fish food at the Murray Springs Fish Hatchery, an increase over the \$106,040 spent in fiscal 1996. Department staff state that inflated 1994 actual expenditures will be inadequate to provide the required funding because of higher anticipated inflation than the 3.7 percent in fiscal 1996 and 6.4 percent in fiscal 1997 provided in the Executive Budget.

6) Non-Budgeted Personal Services Costs - The executive requests increases in certain travel and supply expenses where the base is low because of early retirements. To fund retirement payouts and incentives, the department spent funds appropriated for travel and supplies. Since the funds were not spent for these purposes in fiscal 1994, an increase of \$59,595 in fiscal 1996 and \$74,162 in fiscal 1997 is requested to restore the base. The increase includes inflationary increases of 6 percent in fiscal 1996 and 12 percent in fiscal 1997 for use of the department's motor pool.

LFA Issue - Adopting an executive recommendation, the 1993 legislature enacted HB 517, which provided for payment of fiscal incentives during a specified period to encourage eligible state employees to retire. The executive estimated that the legislation would produce savings through: a) delays in refilling or eliminating vacated positions; b) filling the vacated positions at a lower salary; and c) elimination of some vacated positions. Since the department chose to fund retirement costs with authority from operations and is requesting that authority be restored, the legislature is being asked to fund costs associated with HB 517.

7) Contracted Services - The executive requests \$280,800 in fiscal 1996 and \$279,800 in fiscal 1997, an increase over the \$174,228 spent in fiscal 1994. Contracts are for: a) managing new animal drug exemptions required for drugs in control of fish diseases - \$7,800 each fiscal year; b) bull trout recovery program - \$20,000 each fiscal year; c) preparation of goals and objectives as part of the Yellowstone cutthroat trout management guide - \$5,000 each year; d) conducting laboratory analysis of contaminants in fish tissue - \$5,000 each fiscal year; e) conducting surveys and data analysis - \$9,000 in fiscal 1996 and \$5,000 in fiscal 1997; f) researching paddlefish in the Yellowstone River - \$42,000 each fiscal year; g) conducting a five-year study to obtain approval of drugs for public fish production - \$20,000 each year; h) providing stream geomorphology and hydrology for stream restoration - \$10,000 each year; i) staff training - \$3,000 each year; j) developing environmental assessments (EA's) required by Montana Environmental Policy Act (MEPA) primarily for fishing access sites - \$10,000 each year; k) preparing fisheries management plans - \$15,000 each year; l) changing water right appropriation applications - \$5,000 each year; m) studying specific fish species, such as the arctic grayling and bull trout - \$8,000 each fiscal year; n) providing hydrologic and engineering analysis of steam protection projects (310 permits) - \$65,000 each year; and o) operating stream gauges and thermograph stations on important fishing streams - \$56,000 in fiscal 1996 and \$59,000 in fiscal 1997.

LFA Issue - Contracts increase 61 percent over the fiscal 1994 level. However, the executive is also requesting \$50,000 each fiscal year as grants to the Montana University System (MUS) that had previously been budgeted as contracts. If the \$50,000 were included with contracts for comparison purposes, the executive request for contracted services is 90 percent greater than the fiscal 1994 level.

8) Water Leasing - The executive requests a \$75,000 biennial appropriation for leasing water, including necessary studies and payment for the leases. The 1993 legislature approved a \$75,000 biennial appropriation for these purposes, of which \$19,466 was spent in fiscal 1994. The department leases private consumptive water rights to maintain instream flows. Expenditures for water leasing began in fiscal 1992. Historical expenditures were \$28,159 in fiscal 1993 and \$1,719 in fiscal 1992.

In a related matter, in fiscal 1994 the department received a \$7,245 statutory appropriation from the environmental contingency account when the Governor determined that emergency action was necessary for the preservation of graylings in the Big Hole River. The funds were used to buy and install water tanks and deliver water to the tanks in exchange for closure of three diversions from the Big Hole River.

9) Evaluation of Fish Introductions - The executive requests a \$40,000 biennial appropriation to conduct environmental assessments required by MEPA when fish species are to be transplanted to waters where they have not previously existed. Section 87-5-711, MCA, requires that the department conduct an analysis of fish introductions under MEPA standards. The 1993 legislature approved a \$55,000 biennial appropriation for this purpose, of which \$15,931 was spent in fiscal 1994. Expenditures for fish introduction EA's began in fiscal 1992. Historical expenditures were \$3,893 in fiscal 1993 and \$19,239 in fiscal 1992.

10) Equipment - The executive requests \$121,147 in fiscal 1996 and \$155,250 in fiscal 1997 for equipment, including: a) 4 boats, 5 outboard motors, and 3 boat trailers - \$26,147 in fiscal 1996 and \$30,600 in fiscal 1997; b) 3 electro shockers, 4 backpack shockers and 5 generators - \$26,500 in fiscal 1996 and \$7,350 in fiscal 1997; c) hatchery equipment including oxygen meters, water pumps, compressors, fish tanks, filtration systems, and hatching jars - \$21,500 in fiscal 1996 and \$39,300 in fiscal 1997; d) 3 diesel fish distribution trucks - \$45,000 in fiscal 1996 and \$72,000 in fiscal 1997; and e) fish nets, pens, and traps - \$2,000 in fiscal 1996 and \$6,000 in fiscal 1997. Historical equipment expenditures average \$197,997. See number 3 in the "Executive New Proposal" section for a request for additional equipment.

11) Grants - The executive requests \$78,500 each fiscal year from the general license account for university grants, an increase over the \$28,500 spent in fiscal 1994. Included are grants to: a) Montana State University (MSU) for basic fishery research - \$28,500 each fiscal year; b) University of Montana to conduct genetic analysis of fish tissue - \$25,000 each fiscal year; and c) the Montana university system for selected fishery and aquatic research - \$25,000 each fiscal year.

In the past, the only grant budgeted was \$28,500 to MSU. The latter grants had been previously budgeted as contracted services. However, as stated in item 7, the executive is requesting an increase in contracted services over the amount spent in fiscal 1994, including all expenditures for analysis of fish tissue and for fishery and aquatic research.

12) State Library NRIS Transfer - In fiscal 1994, \$15,334 was transferred to the Montana State Library for the Natural Resource Information System (NRIS). Due to an oversight, the executive does not continue this funding for the 1997 biennium.

LFA Issue - To maintain the same level of service provided in fiscal 1994 for NRIS usage, the executive present law operations should be increased by \$15,334 each year. Funding is 35 percent general license account and 65 percent federal.

13) Legislative Contract Authority - The executive requests \$1,667,000 in fiscal 1996 and \$1,843,400 in fiscal 1997 of legislative contract authority. For discussion of this item, see "Other LFA Issues" in the agency section.

14) Other - Miscellaneous decreases to the present law include rent and maintenance contracts.

5201 03 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Clark Fork Investigation	1.00		\$54,694	1.00		\$54,818
2 Fisheries P E I S			200,000			120,000
3 Fisheries Equipment			97,790			63,687
4 Personal Services Reductions	(1.50)		(139,658)	(1.50)		(141,125)
Totals	(0.50)		\$212,826	(0.50)		\$97,380

Executive New Proposals

1) Clark Fork River Investigation - The executive requests 1.00 FTE and \$54,694 in fiscal 1996 and \$54,818 in fiscal 1997 to continue providing the state with biological and ecological information to support the state's lawsuit against

the Atlantic Richfield Company. The Clark Fork River database would be updated and managed, and restoration and enhancement opportunities identified. The executive states that the lawsuit may go to trial in mid-1996 and is expected to be lengthy. Funding is 75 percent general license account and 25 percent federal.

LFA Issue - Originally approved as a one-time budget modification for the 1993 biennium to provide data collection and analysis on impacts of past mining activities on aquatic resources on the upper Clark Fork River, the 1993 legislature approved continuation of the activity only through the 1995 biennium. In the 1995 biennium, the funding was to: a) explore and develop mitigation and habitat development; b) complete an inventory of habitat and water conditions; and c) develop and demonstrate to local landowners options to restore the stream habitat. Previous expenditures for this activity were: a) fiscal 1992 - \$44,512; b) fiscal 1993 - \$40,640; and c) fiscal 1994 - \$43,158.

2) Fisheries PEIS - The executive requests \$200,000 in fiscal 1996 and \$120,000 in fiscal 1997 for the development of a programmatic environmental impact statement (PEIS) to analyze the Montana fisheries program. Although not yet required to do so, department staff state that a pro-active development will ensure that the program meets MEPA requirements, thus heading off a potential challenge. The PEIS will define the scope of issues that affect fisheries management and alternative methods for achieving program goals and objectives. The PEIS will ensure that all pertinent goals are considered in the Fisheries Division and that the public has an opportunity to evaluate and comment on the program. This proposal would be completed in the 1997 biennium and should not be budgeted in the 1999 biennium. Funding is 25 percent general license account and 75 percent federal.

LFA Issue - Although no new FTE are proposed, \$76,000 of funding is requested each year to contract for personnel assistance. Similar activity in the past (development of the wildlife PEIS) contained budgeted FTE.

3) Fisheries Equipment - The executive requests an additional \$97,790 in fiscal 1996 and \$63,687 in fiscal 1997 to purchase: a) 2 boats and 2 outboard motors - \$3,000 in fiscal 1996 and \$12,000 in fiscal 1997; b) 1 backpack shocker and 1 generator - \$3,000 in fiscal 1996 and \$2,500 in fiscal 1997; c) 1 forklift - \$23,000 in fiscal 1996; d) scientific equipment - \$25,550 in fiscal 1996 and \$31,500 in fiscal 1997; e) hatchery equipment including oxygen meters, water pumps, compressors, fish tanks, filtration systems, and hatching jars - \$41,240 in fiscal 1996 and \$17,687 in fiscal 1997; and f) gill nets, holding pens and traps - \$2,000 in fiscal 1996. Since these items do not replace existing equipment, the executive is presenting the request as a new proposal. Funding is split from the general license account and federal funds.

4) Personal Services Reductions - The executive reduces personal services by 1.50 FTE (from 105.59 to 104.09) and \$45,266 in fiscal 1996 and \$45,445 in fiscal 1997. In addition, a 2.74 percent vacancy savings rate was applied to further reduce personal services by \$94,392 in fiscal 1996 and \$95,680 in fiscal 1997. FTE reductions include 0.50 FTE fish and wildlife biologist and 1.00 FTE fish culturist. Areas of reduced services or other justification for the decrease was not provided.

LFA Issue - Although this new proposal would decrease personal services funding for fish and wildlife biologists in the division, the executive requests new proposals that would increase fish and wildlife biologists by 1.00 FTE. Although the executive proposal would reduce FTE and applies vacancy savings, the executive includes \$3,597 each year in overtime.

DEPT OF FISH, WILDLIFE & PARKS
Program Summary**LAW ENFORCEMENT DIVISION**

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	96.23	0.00	(2.00)	94.23	0.00	(2.00)	94.23	94.23
Personal Services	3,582,481	20,188	(111,069)	3,491,600	36,603	(109,427)	3,509,657	7,001,257
Operating Expenses	1,141,176	185,249	137,000	1,463,425	209,325	137,000	1,487,501	2,950,926
Equipment	47,221	35,779	64,900	147,900	28,279	69,900	145,400	293,300
Transfers	0	80,000	0	80,000	80,000	0	80,000	160,000
Debt Service	31,737	(31,737)	0	0	(31,737)	0	0	0
Total Costs	\$4,802,615	\$289,479	\$90,831	\$5,182,925	\$322,470	\$97,473	\$5,222,558	\$10,405,483
Fund Sources								
State/Other Special	4,640,985	303,155	109,959	5,054,099	334,435	115,838	5,091,258	10,145,357
Federal Special	161,630	(13,676)	(19,128)	128,826	(11,965)	(18,365)	131,300	260,126
Total Funds	\$4,802,615	\$289,479	\$90,831	\$5,182,925	\$322,470	\$97,473	\$5,222,558	\$10,405,483

Program Description

The Law Enforcement Division is responsible for ensuring compliance with the department's laws and regulations for the protection and preservation of big game animals, fur-bearing animals, fish, game birds, and other wildlife species. It also enforces laws and regulations relative to department-owned lands or waters and those pertaining to boating, hunting, snowmobile, and all-terrain vehicle safety. Other duties include administration of special purpose licenses, overseeing the department's licensing agents, and investigating wildlife damage complaints.

Funding

The Law Enforcement Division is funded primarily with state special revenue, including the general license account, motorboat certificate fees, motorboat fuel taxes, state parks funds, off-highway vehicle fines, income from the coal tax trust, and snowmobile registration funds. Federal funds consists of grants from the Coast Guard and the Corps of Engineers, and other sources. LCA is funded with private contracts and grants.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The relatively small difference in personal services results primarily from fiscal 1994 payments for 6 retirements (unrelated to the early retirement incentives), not funded in the 1997 biennium. This reduction is offset by vacancy savings and approximately \$48,000 in position upgrades. In fiscal 1994, 13 of the division's game warden III received a grade reclassification from 13 to 14. In the 1997 biennium, funding is included for additional warden upgrades (see item 4 below).

The executive's base budget FTE reflect a transfer of 0.34 FTE from this division in fiscal 1994 to establish 3.70 FTE field-based conservation specialists positions in the Field Services Division. Due to an increased need at the department's animal shelter in caring for confiscated animals, the executive also transfers 0.10 FTE from the Law Enforcement Division to the Conservation Education Division.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$799)		\$15,540
2 Inflation/Deflation		1,568		2,661
3 Fixed Costs		(2,039)		(2,039)
<i>Other Executive Present Law Adjustments</i>				
4 Warden Upgrades		\$10,274		\$10,350
5 Differential Pay		10,713		10,713
6 Covert Unit Rent		7,422		7,422
7 Contracted Services		75,500		75,500
8 Game Farms		44,450		43,750
9 Non-Budgeted Personal Services Costs - Travel, Hiring		52,014		75,697
10 Equipment		35,779		28,279
11 Leases		(31,737)		(31,737)
12 Legislative Contract Authority Transfers		80,000		80,000
13 Other		6,334		6,334
<i>Total Executive Present Law Adjustments</i>	0.00	\$289,479	0.00	\$322,470
<i>LFA Issues With Executive PL Adjustments</i>				
8 Game Farms		(51,474)		(51,474)
9 Non-Budgeted Personal Services Costs				

2) Inflation & 3) Fixed Costs - Because data network fees and messenger services are no longer paid by this division, fixed costs decrease by \$2,039 each fiscal year.

4) Warden Upgrades - The executive requests \$10,274 in fiscal 1996 and \$10,350 in fiscal 1997 in additional personal services for 4 warden upgrades required in the collective bargaining agreement.

5) Differential Pay - The executive requests \$50,000 in differential pay, an increase over the \$39,287 spent in fiscal 1994. Differential pay is used to pay field wardens to work six holidays at regular pay. The 1993 legislature appropriated \$49,939 in fiscal 1994, an increase of \$18,085, to fund one additional holiday. Department staff state that fiscal 1994 expenditures were low due to poor summer weather and positions left vacant to meet imposed vacancy savings. Historically, expenditures for differential pay were \$36,808 in fiscal 1993 and \$31,854 in fiscal 1992.

6) Covert Unit Rent - The executive requests \$12,000 each fiscal year to rent a new office space for the covert unit, an increase over the \$4,578 spent in fiscal 1994. Department staff state that a new office space is necessary because of one additional investigator and more space for storage and computers. Although the 1993 legislature approved a 2.00 FTE increase for this division, the increase was not in the covert unit. In fiscal 1994, the legislature appropriated \$8,411 for rent. In fiscal 1994, LCA expenditures of \$6,222 that were used to pay a portion of the total rent are not included in the base.

7) Contracted Services - The executive requests \$75,500 each fiscal year in contracts for: a) license fraud investigation database maintenance, updates, and operation - \$41,000; b) retaining additional assistance during peak times or emergencies from retired game wardens, other peace officers, and other qualified personnel - \$20,000; c) bison control, graphics, printing, and county services - \$14,500.

Law enforcement expenditures for contracted services have increased from \$6,466 in fiscal 1990 to \$51,474 in fiscal 1994, an average annual increase of 68.0 percent. The executive request, if approved, would represent a 46.7 percent increase over fiscal 1994 expenditures. Executive justifications for the increase include lack of available retired game wardens and increasing costs of controlling Yellowstone Park bison.

8) Game Farms - The executive requests \$95,971 in fiscal 1996 and \$94,271 in fiscal 1997 to: a) prepare environmental analyses - \$80,474 each year; b) conduct DNA and other scientific tests concerning game farms - \$11,897 each year; and c) fund communication costs - \$3,600 in fiscal 1996 and \$2,900 in fiscal 1997. The executive anticipates four game farm applications that would require EA's at \$6,000 each and two environmental impact statements (EIS) at \$2,500 each year (the portion of the cost not recoverable from the applicant) for a total of \$29,000. Although the executive requests additional authority for game farm inspections, the 1993 legislature approved a budget modification for 1.00 FTE, \$9,220 operating expenses, and \$35,780 personal services to implement HB 338, which revised laws relating to game farm licensing and operation.

LFA Issue - Based on department estimates of EA and EIS costs, \$29,000 each fiscal year would be sufficient authority.

OPTION: Reduce the requested authority for EA's and EIS's by \$51,474 each fiscal year.

9) Non-Budgeted Personal Services Costs - The executive requests an additional \$52,014 in fiscal 1996 and \$75,697 in fiscal 1997 to replace funds used to pay termination costs and upgrades. The executive requests additional funding for: a) snowmobile travel enforcement - \$44,645 in fiscal 1996 and \$69,290 in fiscal 1997; b) motorboat enforcement travel - \$2,539 in fiscal 1996 and \$5,077 in fiscal 1997; and c) warden and warden trainee job applicant testing - \$4,830 in fiscal 1996 and \$1,330 in fiscal 1997. The increase includes inflationary increases of 6 percent in fiscal 1996 and 12 percent in fiscal 1997 for use of the department's motor pool.

The executive also includes a new proposal for additional travel, to replace unfunded personal services costs. For a more detailed discussion, and a discussion of the issue raised with these additions, see the "Executive New Proposals" section, #3.

10) Equipment - The executive requests \$83,000 in fiscal 1996 and \$75,500 in fiscal 1997 for equipment, including: a) 4 boats - \$28,000 each fiscal year; b) 15 snowmobiles - \$38,000 in fiscal 1996 and \$40,000 in fiscal 1997; c) 10 horses - \$7,500 in each fiscal year; d) 1 horse trailer - \$5,500 in fiscal 1996; and e) 1 trail bike - \$4,000 in fiscal 1996. Historical equipment expenditures average \$115,227. The executive also requests additional equipment in a new proposal.

11) Leases - Although the department used \$31,737 of equipment appropriations to lease snowmobiles for wardens in fiscal 1994, the executive does not continue funding for this purpose in the 1997 biennium, but will enter into lease/purchase agreements.

12) Legislative Contract Authority - The executive requests \$80,000 each fiscal year in legislative contract authority. For discussion of this item, see "Other LFA Issues" in the agency section.

13) Other - Miscellaneous increases to the present law total less than 0.80 percent of fiscal 1994 operating expenditures.

5201 04 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Warden Relocation			\$37,000			\$37,000
2 Enforcement Equipment			64,900			69,900
3 Law Enforcement Travel			130,000			133,000
4 Personal Services Reductions	(2.00)		(141,069)	(2.00)		(142,427)
Totals	(2.00)		\$90,831	(2.00)		\$97,473

Executive New Proposals

1) Warden Relocation - The executive requests the continuance of additional funding to finance warden relocations. For the past 3 biennia, \$27,000 has been appropriated each year as a one-time budget modification. The executive requests \$37,000 each year for the 1997 biennium from the general license account. The department reimburses the moving costs for relocated wardens and their families. The department routinely relocates wardens as retirements occur so that employees obtain a broader perspective. The additional \$10,000 over previous years is requested due to an expected increase in relocation expenses caused by the unusually high number of retirements in fiscal 1994. In fiscal 1994, all of the \$27,000 modified budget appropriation was spent in addition to \$3,917 spent from present law appropriations.

2) Enforcement Equipment - The executive requests an additional \$64,900 in fiscal 1996 and \$69,900 in fiscal 1997 to purchase: a) 18 portable radios - \$10,400 each fiscal year; b) 10 all-terrain vehicles - \$27,500 each fiscal year; c) 11 horses - \$5,000 in fiscal 1996 and \$4,500 in fiscal 1997; d) 2 horse trailers - \$5,500 each fiscal year; e) river raft and accessories - \$5,500 in fiscal 1997; and f) 6 off-highway vehicles - \$16,500 each fiscal year. Since these items do not replace existing equipment, the executive is presenting the request as a new proposal. Funding is split between the general license account and off-highway vehicle fines.

3) Law Enforcement Travel - The executive requests an additional \$130,000 in fiscal 1996 and \$133,000 in fiscal 1997 for additional overtime and travel. The overtime for wardens and seasonal boat safety personnel total \$30,000 in fiscal 1996 and \$33,000 in fiscal 1997. Additional travel totals \$100,000 each fiscal year. Department staff state that additional authority is needed because of the following unfunded personal services obligations incurred in fiscal 1994: a) imposed vacancy savings; b) termination costs; and c) warden reclassification. These expenses were paid from authority appropriated for travel. Funding is 94 percent general license account, 3 percent motorboat certifications, and 3 percent federal.

LFA Issue - Although the 1993 legislature approved a \$100,000 yearly increase in operating expenses for 70 field wardens and a \$5,500 increase for the 1995 biennium for testing of warden applicants, the department used the operating authority to pay unfunded personal services costs in fiscal 1994. In addition to \$8,560 in early retirement buyouts, \$122,555 in other unfunded personal services costs were incurred by an unusually high number of retiring game wardens, even though they were not included in the early retirement incentive program. Historically, retirement costs for the program over the past four years, excluding fiscal 1994, have averaged \$33,079.

In present law, the executive also requests the following increases to provide more law enforcement activity than provided in fiscal 1994:

- a) an additional \$52,014 in fiscal 1996 and \$75,697 in fiscal 1997 for additional travel associated with snowmobiles and motorboats, and applicant testing (see number 9 under the "Executive Present Law" section).
- b) an additional \$10,713 each year in differential pay for wardens to work 6 holidays (see number 5 under the "Executive Present Law" section).
- c) an additional \$75,500 each year in contracted services, a part of which is to contract with retired game wardens and other law enforcement personnel for assistance (see number 7 under the "Executive Present Law" section).
- d) an additional \$10,279 in fiscal 1996 and \$10,350 in fiscal 1997 in personal services authority to fund anticipated upgrades (see number 4 under the "Executive Present Law" section).

If unexpected financial obligations occur subsequent to the legislative session, the department may receive additional authority by transferring fiscal 1995 appropriations to fiscal 1994 and requesting the 1995 legislature to replace the funding in fiscal 1995 through the supplemental bill, or through personal services contingency appropriations authorized for the 1995 biennium. If similar unexpected financial obligations occur in fiscal 1995, the department may receive additional authority from the 1995 legislature, or through carry-forward appropriations from fiscal 1994 (authorized by SB 32).

The legislature may wish to consider the original intent of the appropriated funding used by the department to pay unfunded personal services costs, and other avenues available to the department to increase spending authority.

4) Personal Services Reductions - The executive reduces personal services by 2.00 FTE (from 96.23 to 94.23) and \$54,916 in fiscal 1996 and \$55,097 in fiscal 1997. In addition, a 2.43 percent vacancy savings rate was applied to further reduce personal services by \$86,153 in fiscal 1996 and \$87,330 in fiscal 1997. FTE reductions include 2.00 FTE of the division's 2.83 water safety officers, a reduction of over 70 percent of the water safety officers. Areas of reduced services were not provided. Funding is 83 percent general license account and 17 percent federal.

LFA Issue - Although this new proposal would decrease personal services funding in the division, the executive requests a new proposal (see number 3 above) and increases in present law (see numbers 4, 5, 7, and 9 in the "Executive Present Law" section) based on increased law enforcement activity. Although the executive proposal would reduce FTE and applies vacancy savings, the executive includes \$13,033 each year in present law for overtime.

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DEPT OF FISH, WILDLIFE & PARKS				WILDLIFE DIVISION				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	100.46	(2.53)	(1.00)	96.93	(2.53)	(1.00)	96.93	96.93
Personal Services	3,343,521	81,423	(113,534)	3,311,410	96,913	(114,807)	3,325,627	6,637,037
Operating Expenses	2,511,049	463,791	1,088,485	4,063,325	(655,633)	971,845	2,827,261	6,890,586
Equipment	96,657	(2,417)	6,850	101,090	(14,357)	4,000	86,300	187,390
Grants	13,954	13,406	0	27,360	13,406	0	27,360	54,720
Transfers	0	968,000	0	968,000	928,000	0	928,000	1,896,000
Total Costs	\$5,965,181	\$1,524,203	\$981,801	\$8,471,185	\$368,329	\$861,038	\$7,194,548	\$15,665,733
Fund Sources								
State/Other Special	3,633,050	492,193	111,353	4,236,596	(623,439)	82,203	3,091,814	7,328,410
Federal Special	2,332,131	1,032,010	870,448	4,234,589	991,768	778,835	4,102,734	8,337,323
Total Funds	\$5,965,181	\$1,524,203	\$981,801	\$8,471,185	\$368,329	\$861,038	\$7,194,548	\$15,665,733

Program Description

The Wildlife Division is responsible for the department's statewide Wildlife Management program, which enhances the use of Montana's renewable wildlife resources for public benefit. It protects, regulates, and perpetuates wildlife populations with habitat management and regulated harvest. Through promotion of land management practices, wildlife habitat areas are maintained and enhanced. In addition, the program provides wildlife recreational opportunities to the public, including nongame wildlife, and provides public information regarding conservation of wildlife populations and wildlife habitats. The program manages animals legislatively categorized as big game, small game, furbearers, and threatened and endangered species.

Funding

The Wildlife Division's primary state special revenue funding consists of hunting and fishing license revenue. Earmarked hunting license fees entirely fund the upland game bird program and the wildlife habitat program operations. Other specialized programs are financed from revenues earned from earmarked hunting and fishing license fees such as waterfowl stamp, mountain sheep, and moose auction. Federal funding consists of Pittman-Robertson and Dingell-Johnson funds. LCA is funded with state special revenue and federal revenue.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - Increases due to vacancy savings, the 1995 biennium pay plan, increased benefits, and upgrades were offset by unfunded early retirement expenses in fiscal 1994. In fiscal 1994, 25 of the division's fish and wildlife biologists received a grade reclassification from 14 to 15, five fish and wildlife biologists received a grade reclassification from 14 to 16, and four resource program managers received grade increases from 16 to 17.

The executive's base and present law adjustments include the following FTE changes. The executive includes the 1.00 FTE reduction from the one-time wildlife programmatic EIS as a present law adjustment. The executive also transfers 0.24 FTE from this division to establish 3.70 FTE field-based conservation specialists positions in the Field Services

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(2.13)	\$67,881	(2.13)	\$83,323
2 Inflation/Deflation		10,978		18,175
3 Fixed Costs		(278)		(278)
<i>Other Executive Present Law Adjustments</i>				
4 Non-Budgeted Personal Services Costs		\$96,538		\$96,538
5 Watchable Wildlife Transfer	(0.40)	\$27,542	(0.40)	\$27,590
6 Department Motorpool Inflation		\$13,379		\$26,788
7 Upland Game Bird (biennial)		\$302,710		(\$837,290)
8 Contracted Services		26,331		26,331
9 Grants		13,406		13,406
10 Equipment		(2,417)		(14,357)
11 Legislative Contract Authority Transfers		968,000		928,000
12 Other		133		103
<i>Total Executive Present Law Adjustments</i>	(2.53)	\$1,524,203	(2.53)	\$368,329
<i>LFA Issues With Executive PL Adjustments</i>				
4 Non-Budgeted Personal Services Costs				

Division. Due to a need in the design and construction bureau, the department transfers 0.25 FTE from the Wildlife Division to the Field Services Division to create a 0.75 FTE in that division. Further, the department transfers 0.40 FTE from the Conservation Education Division to the Wildlife Division as part of the separation and transfer of the nongame portion of the watchable wildlife program to the Wildlife Division (see number 5 below).

2) Inflation and 3) Fixed Costs - Inflation on operating expenses totals \$10,978 in fiscal 1996 and \$18,175 in fiscal 1997 primarily due to anticipated increases in printing, utilities, and communications. Because audit fees and messenger services are no longer paid by this division, fixed costs decrease by \$278 each fiscal year.

4) Non-Budgeted Personal Services - The department used operating authority approved by the 1993 legislature for aircraft rental to fund unfunded personal services costs incurred in fiscal 1994 from early retirements. The executive requests \$356,826 each fiscal year in aircraft rental, an increase over the \$260,288 spent in fiscal 1994. The increase of \$96,538 is to replace the amounts used to pay termination costs.

LFA Issue - Adopting an executive recommendation, the 1993 legislature enacted HB 517 which provided for payment of fiscal incentives during a specified period to encourage eligible state employees to retire. The executive estimated that the legislation would produce savings through: a) delays in refilling or eliminating vacated positions; b) filling the vacated positions at a lower salary; and c) elimination of some vacated positions. Since the department chose to fund retirement costs with authority from operations and is requesting that authority to be restored, the legislature is being asked to fund costs associated with HB 517.

5) Watchable Wildlife Transfer - The executive moves the nongame portion of the watchable wildlife program and \$14,000 each fiscal year of operating expenses (general license account) from the Conservation Education Division to the Wildlife Division. In addition, the executive transfers 0.40 FTE and \$13,542 in fiscal 1996 and \$13,590 in fiscal 1997 from the Conservation Education Division to staff the nongame program. Department staff state that the nongame program conducts surveys and assessments of nongame populations and would conduct assessments of species with the potential of being classified as endangered. For a further discussion of this issue, see "Other LFA Issues" under the agency section.

6) Department Motorpool Inflation - The executive requests an additional \$13,379 in fiscal 1996 and \$26,788 in fiscal 1997 for inflationary increases in base expenditures of 6 percent in fiscal 1996 and 12 percent in fiscal 1997 expected in the use of the department's motor pool.

7) Upland Game Birds - The executive requests a \$1,140,000 biennial appropriation for the upland game bird program. Since the request is for a biennial appropriation, it is \$302,710 greater in fiscal 1996 and \$837,290 less in fiscal 1997 than actual fiscal 1994 expenditures of \$837,290. The upland game bird habitat enhancement program coordinates habitat improvement projects with private landowners and government agencies. The expenditure request represents a decrease from the \$1,840,000 appropriated in the 1995 biennium, which was based on the accumulation of funds in the account. At fiscal 1994 year end, the fund balance in the account was \$499,342.

8) Contracted Services - The executive requests \$192,749 each fiscal year for contracted services, an increase over the \$166,418 spent in fiscal 1994. Included are contracts for: a) special projects by universities - \$65,360; b) data entry for harvest surveys - \$40,000; c) helicopter services - \$37,920; d) a marketing consultant - \$18,316; and e) miscellaneous contracts for statistics, regulation development, computer graphics, and weed spraying - \$31,153.

9) Grants - The executive requests \$27,360 each fiscal year in grants, an increase over the \$13,954 spent in fiscal 1994. The grant is to the university system to pay stipends of master degree students for short-term investigations of wildlife populations. Historical expenditures for this item were \$18,957 in fiscal 1993 and \$18,021 in fiscal 1992.

10) Equipment - The executive requests \$94,240 in fiscal 1996 and \$82,300 in fiscal 1997 for equipment, including: a) radio transmitters - \$25,840 in fiscal 1996 and \$22,400 in fiscal 1997; b) 6 snowmobiles - \$20,000 in fiscal 1996 and \$10,000 in fiscal 1997; c) 3 horses - \$3,500 in fiscal 1996 and \$2,000 in fiscal 1997; d) 2 generators - \$1,900 in fiscal 1996; e) 1 ATV - \$5,000 in fiscal 1997; f) 1 weighing scale - \$6,000 in fiscal 1996; g) 1 airboat - \$25,000 in fiscal 1996; h) field equipment - \$2,400 in fiscal 1996 and \$1,200 in fiscal 1997; i) computer software - \$4,000 each fiscal year; j) office equipment - \$1,500 each fiscal year; k) 1 welder - \$2,500 in fiscal 1996; l) 2 augers - \$1,200 in fiscal 1997; m) a stove and refrigerator - \$1,600 in fiscal 1996; and n) one 50 horse power tractor - \$35,000 in fiscal 1997. Historical equipment expenditures average \$97,111. The executive requests additional equipment in a new proposal.

11) Legislative Contract Authority - The executive requests \$968,000 in fiscal 1996 and \$928,000 in fiscal 1997 in legislative contract authority. For discussion of this item, see "Other LFA Issues" in the agency section.

12) Other - Miscellaneous increases to the present law total less than 0.01 percent of fiscal 1994 operating expenditures.

Executive New Proposals

1) Black Bear Research - The executive requests an additional \$119,900 each fiscal year to conduct black bear research recently identified in a department funded EIS on black bears. For establishing a black bear management plan, the 1994 EIS identified research needed to address specific areas where information was incomplete or lacking. The department states that a 1.00 FTE, currently budgeted in present law, will be redirected for six years from current activities to conduct the research. This proposal provides operational funding needed for the high costs associated with trapping and marking when compared with other species research. Funding is 25 percent general

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Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Black Bear Research	0.00	\$0	\$119,900	0.00	\$0	\$119,900
2 Black Footed Ferret	0.00	0	50,000	0.00	0	50,000
3 Habitat Enhancement	0.00	0	530,000	0.00	0	530,000
4 Wildlife Equipment	0.00	0	6,850	0.00	0	4,000
5 Survey & Inventory	0.00	0	271,945	0.00	0	271,945
6 Wildlife Programmatic EIS	0.00	0	116,640	0.00	0	0
7 Personal Services Reductions	(1.00)	0	(113,534)	(1.00)	0	(114,807)
Totals	(1.00)	\$0	\$981,801	(1.00)	\$0	\$861,038

license account and 75 percent federal.

2) Black-Footed Ferret - The executive requests an additional \$50,000 federal funds each fiscal year to take over the management of the black-footed ferret introduction to northeastern Montana. Through fiscal 1995, the initial research phase will be conducted by the U.S. Fish and Wildlife Service and the state will assume the on-going management responsibility beginning fiscal 1996. The department will be responsible for the release and monitoring of ferrets and the monitoring of prairie dog populations. A local citizen's advisory council will be formed for local public involvement in the project.

3) Habitat Enhancement - The executive requests an additional \$530,000 each fiscal year for wildlife habitat. The proposal includes \$40,000 each fiscal year from the mountain sheep account to obtain bighorn sheep winter range from the U.S. Forest Service and private landowners along the Rocky Mountain Front and in the Highland Mountains. In addition, \$490,000 federal funds each fiscal year would be used to obtain upland game bird and waterfowl habitat if all or part of the 2.59 million acres currently under the federal conservation resource program (CRP) are phased out of the program over a five- year period. Key parcels of this CRP acreage, primarily in eastern Montana, that are critical habitat areas would be identified and easements or leases negotiated with the landowners. Funding for the waterfowl and upland game bird portion of the new proposal is from federal Pittman-Robertson and Dingell-Johnson funds. Approval of this new proposal should be contingent on the federal government reducing the number of acres under the CRP program.

The Executive Budget includes \$1.14 million over the biennium for Montana's upland game bird habitat enhancement program, funded with specific earmarked revenue from license fees. In present law, the executive requests a \$1.14 million biennial appropriation to enhance upland game bird populations by providing for additional habitat. In addition, the Executive Budget includes \$652,720 to acquire bighorn sheep habitat as part of its capital program in the long-range building program.

4) Wildlife Equipment - The executive requests \$6,850 in fiscal 1996 and \$4,000 in fiscal 1997 for equipment, including: a) laboratory equipment - \$3,800 in fiscal 1996 and \$1,400 in fiscal 1997; b) 2 snowmobile trailers - \$800 each fiscal year; c) 1 boat - \$1,250 in fiscal 1996; d) 1 harrow - \$1,000 in fiscal 1996; and e) 1 weed sprayer - \$1,800 in fiscal 1997. Since these items do not replace existing equipment, the executive is presenting the request as a new proposal. Funding is 25 percent general license account and 75 percent federal. In addition to equipment requested in this new proposal, the executive requests \$94,240 in fiscal 1996 and \$82,300 in fiscal 1997 for present law equipment purchases.

5) Survey & Inventory - The executive requests an additional \$271,945 each fiscal year to conduct wildlife surveys and laboratory analysis. An integral function of the Wildlife Division is aerial and ground surveys of deer, elk, antelope, mountain goat, bighorn sheep, and moose to gather information used to set seasons and quotas. In addition, surveys are conducted for game birds, fur species, and non-game wildlife. Department staff state that these activities have been under-funded and, as a result, negative impacts have occurred to landowners/sportsmen and to the department's credibility. Also included is funding for monitoring and testing of wildlife diseases associated with game farms, sample collection, trichinella testing of black bears, and aging of mountain lion skulls and black bear teeth. Funding is 22 percent general license account, 2 percent moose auction account, and 76 percent federal funds.

This new proposal contains funding for increased aircraft surveys. A new proposal in Field Services is contingent on the approval of this new proposal. That proposal requests additional proprietary appropriations to spend the funds deposited into the proprietary account from this new proposal.

6) Wildlife Programmatic EIS - The executive requests \$116,640 in fiscal 1996 to continue development of a wildlife programmatic EIS. The 1993 legislature funded a one-time budget modification for the 1995 biennium to complete the update of the department's wildlife EIS. To be addressed were the changes in public values toward wildlife, increased demand for public involvement in decision making, legal challenges, increased competition for wildlife related resources, and changing demographics. Since the project was to be completed within the 1995 biennium, the legislature stipulated that any fiscal 1994 expenditures were to be excluded from the 1997 biennium budget. The executive requests the continuation of the activity only for fiscal 1996. Funding is 25 percent general license account and 75 percent federal. If this new proposal is approved, expenditures should not be included in the executive 1999 biennium budget request.

Although no FTE are requested in the proposal, the equivalent of 1.00 FTE would be required to complete the work in fiscal 1996. Even though this FTE is budgeted for fiscal 1995, funding for the FTE in this new proposal is shifted to the equivalent of contracted services.

LFA Issue - The wildlife PEIS began in fiscal 1992 by department initiative when the department used 0.45 FTE and spent \$32,856 of funds appropriated by the legislature for other purposes. For fiscal 1993, the department sought and received \$149,560 in authority from the 1993 legislature in the budget amendment bill, of which \$116,357 was spent. In fiscal 1994, the department received 2.58 FTE and \$275,000 as a modification to the budget, but only spent \$132,994 for this purpose. The remaining \$142,006 of this modification authority (plus other authority) was used for other purposes: a) \$70,000 was transferred to the Law Enforcement Division to fund unfunded termination costs; and b) \$130,000 was transferred to personal services to fund unfunded early retirement costs within the Wildlife Division. Therefore, approval of this new proposal would replace funds spent for early retirement and termination costs paid by the department in fiscal 1994.

7) Personal Services Reductions - The executive reduces personal services by 1.00 FTE (from 97.93 to 96.93), and \$27,283 in fiscal 1996 and \$27,377 in fiscal 1997. In addition, a 2.54 percent vacancy savings rate was applied to further reduce personal services by \$86,251 in fiscal 1996 and \$87,430 in fiscal 1997. The FTE reduction eliminates a grade 12 fish and wildlife technician position. Areas of reduced services were not provided. Funding is 48 percent general license account and 52 percent federal.

LFA Issue - Although this new proposal would decrease personal services funding in the division, the executive requests new proposals (see numbers 1, 2, 5, and 6) that would increase workload but do not request any FTE. One of the proposals (number 1) would reallocate 1.00 FTE from present law activity. Although the executive proposal would reduce FTE and applies vacancy savings, the executive includes \$2,236 each year in overtime.

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DEPT OF FISH, WILDLIFE & PARKS								
PARKS DIVISION								
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	95.73	0.30	(2.41)	93.62	0.30	(2.41)	93.62	93.62
Personal Services	2,499,442	105,694	(151,101)	2,454,035	118,111	(152,506)	2,465,047	4,919,082
Operating Expenses	1,682,603	458,914	0	2,141,517	470,864	0	2,153,467	4,294,984
Equipment	241,303	28,697	98,890	368,890	(175,453)	125,957	191,807	560,697
Grants	116,163	483,837	0	600,000	(116,163)	0	0	600,000
Transfers	0	50,000	0	50,000	50,000	0	50,000	100,000
Total Costs	\$4,539,511	\$1,127,142	(\$52,211)	\$5,614,442	\$347,359	(\$26,549)	\$4,860,321	\$10,474,763
Fund Sources								
General Fund	288,024	(14,247)	12,000	285,777	(23,184)	20,000	284,840	570,617
State/Other Special	3,807,085	385,404	(59,664)	4,132,825	404,515	(37,964)	4,173,636	8,306,461
Federal Special	139,305	610,295	0	749,600	10,295	0	149,600	899,200
Proprietary	305,097	145,690	(4,547)	446,240	(44,267)	(8,585)	252,245	698,485
Total Funds	\$4,539,511	\$1,127,142	(\$52,211)	\$5,614,442	\$347,359	(\$26,549)	\$4,860,321	\$10,474,763

Program Description

The Parks Division is responsible for conserving the scenic, historic, archaeologic, scientific, and recreational resources of the state and providing for their use and enjoyment. The program manages 43 parks and 12 affiliated lands (owned by the state but managed by some other entity) including natural, recreational, and cultural sites. It also maintains approximately 313 fishing access sites. Programs administered by the division include snowmobile, off-highway vehicles, Land and Water Conservation, capitol grounds maintenance, and the Montana Conservation Corps.

Funding

The Executive Budget provides \$285,777 general fund support in fiscal 1996 and \$284,840 in fiscal 1997, a reduction from fiscal 1994 expenditures of \$288,024.

The largest state special revenue source is motorboat fuel taxes, followed by park fee revenue, the general license account, park acquisition coal tax trust earnings, snowmobile fuel taxes, lodging facility use tax, off-highway vehicle fuel taxes, fishing access acquisition fee revenue, and off-highway vehicle and snowmobile registration fees. Watchable wildlife income tax check-off donations are used for the first time in this division. Of total coal severance tax revenue collections, 1.27 percent is deposited into a non-expendable trust, with the interest from this trust allocated for maintenance of state parks and historical sites. However, the 1993 legislature diverted coal tax revenue from the trust only for the 1995 biennium (HB 687), to be used for park maintenance. These funds will again be deposited into the trust in the 1997 biennium and are no longer available for use. Park entrance fee revenue declines from the fiscal 1994 level due to the federal government taking over responsibility (including revenue collection) of Canyon Ferry. Increases in lodging facility use tax and fuel tax revenue, and federal funds available for park maintenance, replace a portion of the lost coal tax and entrance fee revenue. The general license account and earmarked fishing license fees are used to purchase and maintain fishing access sites. The general license account also funds a portion of the watchable wildlife program. Beginning in fiscal 1994, the department receives 6.5 percent of lodging facility tax collections for maintenance of state park facilities.

Federal funds consist of federal overhead funds, Dingell-Johnson and Pittman-Robertson funds, and Land and Water Conservation Fund (LWCF) pass-through funds. LWCF grants are passed through to counties for public outdoor recreation areas and facilities.

Two activities are funded through proprietary accounts: 1) the capitol grounds maintenance program that provides ground maintenance and snow removal for all state agencies within the capitol complex. These agencies pay the program's costs based on the square footage of office space; and 2) the snowgroomer replacement account that finances the replacement of machinery used to groom over 3,200 miles of trail for snowmobile use.

LCA is funded with state special funds received through donations and with federal funds.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(0.90)	\$85,665	(0.90)	\$97,971
2 Inflation/Deflation (non-general fund)		6,909		12,104
3 Fixed Costs				
<i>Other Executive Present Law Adjustments</i>				
4 Watchable Wildlife Transfer	0.60	\$39,501	0.60	\$47,612
5 Department Motorpool Inflation		7,414		14,900
6 Fuel Tax Increase		133,834		133,834
7 Fishing Access Sites (SSR and federal)		73,037		73,037
8 Non-Budgeted Personal Services Costs		27,642		27,642
9 Maintenance Contracts		55,335		55,335
10 National Recreational Trails Grant (biennial)		174,731		(25,269)
11 LWCF Grants		309,106		(90,894)
12 Snowmobile Repairs		37,500		37,500
13 General Fund		(14,247)		(23,184)
14 Capitol Grounds Maintenance		43,863		43,569
15 Snowgroom Equipment (biennial)		116,624		(73,376)
16 Other Equipment		(39,586)		(53,236)
17 Legislative Contract Authority Transfers		50,000		50,000
18 Other		19,814		19,814
<i>Total Executive Present Law Adjustments</i>	(0.30)	\$1,127,142	(0.30)	\$347,359
<i>LFA Issues With Executive PL Adjustments</i>				
7 Non-Budgeted Personal Services Costs				
11 LWCF Grants				

1) Personal Services - Increases due to the 1995 biennium pay plan, increased benefits, and vacancy savings were offset by unfunded termination and early retirement expenses in fiscal 1994. The executive's base and present law adjustments reflect transfers of FTE. Due to a need in the design and construction bureau in the Field Services Division, the department transfers 0.30 FTE from the Parks Division to the Field Services Division to create a 0.75 FTE in that division. The department also transfers 0.60 FTE from the Conservation Education Division to the Parks Division (the watchable wildlife portion) as part of the separation of the nongame program and the watchable wildlife program (see number 4 below).

2) Inflation - Inflation increases are primarily due to anticipated increases in printing, utilities, and travel.

4) Watchable Wildlife Transfer - The executive separates the nongame and watchable wildlife programs (formerly in the Conservation Education Division), and transfers the watchable wildlife program to the Parks Division. Authority is requested for 0.60 FTE and \$20,879 in fiscal 1996 and \$20,990 in fiscal 1997, and operating expenses of \$18,622 in fiscal 1996 and \$26,622 in fiscal 1997. Funding consists of: a) income tax check-off donations - \$17,000 each fiscal year; and b) general license account - \$22,501 in fiscal 1996 and \$30,612 in fiscal 1997. For additional information on this issue, see "Other LFA Issues" under the agency section.

5) Department Motorpool Inflation - The executive requests an additional \$7,414 in fiscal 1996 and \$14,900 in fiscal 1997 for inflationary increases in base expenditures of 6 percent in fiscal 1996 and 12 percent in fiscal 1997 expected in the use of the department's motor pool. These increases are not reflected as inflation in the executive present law.

6) Fuel Tax Increase - The executive requests an additional \$133,834 of authority each fiscal year to spend available motorboat fuel (\$87,000) and off-highway vehicle (\$46,834) fuel tax revenue. SB 257 (1993 session) increased the gasoline tax to \$0.24 beginning July 1, 1993 and to \$0.27 beginning July 1, 1994. Since fiscal 1994 expenditures were based on revenue from the \$0.24 tax rate, additional tax revenue will be collected in excess of the amount spent in fiscal 1994. The department plans to spend the revenue increase on such items as dock and ramp repair, parking areas, toilets, road grading, noxious weed control, replanting eroded areas, installing water bars, and fence repairs.

7) Fishing Access Sites - The executive requests an additional \$73,037 each fiscal year to maintain over 300 fishing access sites. The 1993 legislature approved a \$60,000 federal budget modification in fiscal 1995 for this purpose. This request continues the funding in the 1997 biennium. The other \$13,037 each fiscal year is funded by the general license account for additional weed control, toilet pumping, and road maintenance.

8) Non-Budgeted Personal Services - The department used operating authority approved by the 1993 legislature for park maintenance to fund unfunded personal services costs incurred in fiscal 1994 from terminations and early retirements. The executive requests an additional \$27,642 each fiscal year in maintenance authority to replace the amounts used to pay termination costs, an increase over the \$7,429 spent in fiscal 1994.

LFA Issue - Adopting an executive recommendation, the 1993 legislature enacted HB 517, which provided for payment of fiscal incentives during a specified period to encourage eligible state employees to retire. The executive estimated that the legislation would produce savings through: a) delays in refilling or eliminating vacated positions; b) filling the vacated positions at a lower salary; and c) elimination of some vacated positions. Since the department chose to fund retirement costs with authority from operations and is requesting that authority be restored, the legislature is being asked to fund costs associated with HB 517.

9) Maintenance Contracts - The executive requests \$57,429 each fiscal year for park maintenance contracts, an increase over the \$2,094 spent in fiscal 1994. The department plans to spend the increase on such items as noxious weed control, road and parking maintenance, building maintenance, plumbing and construction, fencing, and equipment repair. The executive's request is a 2,643 percent increase over fiscal 1994 expenditures.

10) National Recreational Trails Grant - The executive requests a \$200,000 biennial appropriation to grant federal funds received from the National Recreation Trails fund to local trail clubs and federal agencies, an increase over the \$25,269 spent in fiscal 1994. Funds will be passed through to provide community recreational trail development, and U.S. Forest Service trail rehabilitation and maintenance. For the 1995 biennium, the department received a \$350,000 federal biennial appropriation for this purpose.

11) LWCF Grants - The executive requests a \$400,000 biennial appropriation to grant federal funds received from the Land and Water Conservation Fund (LWCF), an increase over the \$90,894 spent in fiscal 1994. Funds will be used as matching pass-through grants to local governments for acquisition and development of public outdoor recreation areas and facilities, and for department projects such as dam rebuilding and acquisition of fishing access sites. For the 1995 biennium, the department received a \$700,000 federal biennial appropriation for this purpose.

The executive's request for LWCF appropriation authority may exceed revenues for the 1997 biennium. The Executive Budget includes a total of \$1,160,449 in LWCF funds for the 1997 biennium: a) \$320,000 in new long-range building projects; b) \$400,000 for pass-through grants; and c) \$440,449 in continuing capital project authority requested in the long-range building bill. The total of these LWCF appropriations is more than 2.5 times the amount of funds received in the 1995 biennium.

LFA Issue - Because past apportioned amounts were less than requested by the executive and appropriated by the legislature, the department had excess federal spending authority. Excess spending authority for LWCF pass-through funds was used in the 1991, 1993, and 1995 biennia to fund activities not considered by the legislature. Table 3 shows the receipts and expenditures of LWCF funds during these years, and the authority that has been transferred to other projects.

12) Snowmobile Repairs & Insurance - The executive requests \$76,371 each fiscal year to spend additional revenue for snowmobile repairs. In fiscal 1994, \$38,871 was spent on repairs. Department staff state that excess revenue is available to spend from an increase in snowmobile decal fees and increased fuel tax revenue. The funds would be used to fund replacement parts and labor for repairing and maintaining the department's fleet of snowgroomers used to groom snowmobile trails. The executive requests two new snowgroomers (see number 15 below) and justifies the expenditures by stating that existing ones are costly to repair. It would be expected that newer equipment would have fewer repairs.

Fiscal Year	Appropriated**	Funds Received	Funds Spent	Excess Authority	Transferred
1995 *	\$350,000	\$0	\$0	\$350,000	\$0
1994	350,000	92,518	91,999	258,001	8,600
1993	350,000	41,962	41,205	308,795	329,728
1992	350,000	79,937	79,937	270,063	79,755
1991	350,000	11,931	7,316	342,684	0
1990	350,000	115,147	121,315	228,685	272,500

* Through October 1994
 ** Biennial appropriation split evenly between years

13) General Fund - The executive reduces funding from general fund in the Parks Division from the amount spent in fiscal 1994. General fund funds a decrease in operations and funds equipment purchases of \$24,500 in fiscal 1996 and \$24,000 in fiscal 1997, a decrease from fiscal 1994 expenditures. Equipment purchases include: a) mowers - \$20,500 in fiscal 1996 and \$22,500 in fiscal 1997; b) traffic counters - \$4,000 in fiscal 1996; and c) 1 post hole auger - \$1,500 in fiscal 1997. Included in the executive present law is a request for \$31,970 general fund each year for indirect cost support for the Administration and Finance Division, Field Services Division, and the Department Management Division. Additional general fund equipment is requested in a new proposal.

14) Capitol Grounds Maintenance - The executive requests \$198,719 in fiscal 1996 and \$198,425 in fiscal 1997 for the capitol grounds maintenance program, an increase over the \$154,856 spent in fiscal 1994. The program provides grounds maintenance and snow removal for agencies in the capitol complex. These agencies are charged a fee based

on the costs of the program and the square footage of office space. The increase includes: a) repairs to sidewalks and water lines, replacement of vandalized signs, and maintenance of flower beds - \$32,971 in fiscal 1996 and \$31,639 in fiscal 1997; and b) indirect cost support for the Administration and Finance Division, Field Services Division, and the Department Management Division - \$10,892 in fiscal 1996 and \$11,930 in fiscal 1997. The executive requests additional funding for indirect costs because the indirect cost plan approved by the 1993 legislature will be fully implemented in the 1997 biennium at an indirect cost rate of 11.1 percent. All funds in the department are assessed fees to fund indirect services provided by the Management Services Division, Field Services Division, and the Department Management Division. Proprietary fund equipment purchases are requested in a new proposal.

15) Snowmobile Grooming Equipment - The executive requests a \$190,000 biennial appropriation to replace 2 snowgroomers, an increase over the \$73,376 spent in fiscal 1994. The executive states that the current equipment is costly to repair and parts are difficult to obtain. Department staff state that it would be cheaper to purchase two snowgroomers at one time.

16) Other Equipment - The executive requests \$55,500 in fiscal 1996 and \$41,850 in fiscal 1997 for other equipment, a decrease from the \$95,086 spent in fiscal 1994. The requests includes: a) safety equipment - \$1,250 in fiscal 1996; b) utility vehicles - \$8,000 in fiscal 1996; c) small tools - \$19,750 each fiscal year; d) 1 dump truck - \$25,000 in fiscal 1996; e) 1 work canoe - \$1,500 in fiscal 1996; f) 1 landscape tractor - \$20,100 in fiscal 1997; and g) 1 pressure washer - \$2,000 in fiscal 1997. While total present law equipment is a decrease from the fiscal 1994 level, additional equipment purchases are requested in a new proposal.

17) Legislative Contract Authority - The executive requests \$50,000 each fiscal year in legislative contract authority. For discussion of this item, see "Other LFA Issues" in the agency section.

18) Other - Miscellaneous increases to the present law total less than 1.2 percent of fiscal 1994 operating expenditures.

5201 06 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Parks Equipment		\$12,000	\$94,890		\$20,000	\$125,957
2 Capitol Grounds Equipment			4,000			
3 Personal Services Reductions	(2.41)		(151,101)	(2.41)		(152,506)
Totals	(2.41)	\$12,000	(\$52,211)	(2.41)	\$20,000	(\$26,549)

Executive New Proposals

1) Parks Equipment - The executive requests an additional \$94,890 in fiscal 1994 and \$125,957 in fiscal 1997 for new equipment. General fund equipment expenditures totaling \$12,000 in fiscal 1996 and \$20,000 in fiscal 1997 are: a) high band radios - \$10,000 each fiscal year; b) industrial wood shaper - \$2,000 in fiscal 1997; c) traffic counters - \$4,000 in fiscal 1997; d) audio interpretive equipment for impaired people - \$2,000 in fiscal 1997; and e) cash registers - \$2,000 in each fiscal year. State special funded equipment expenditures are: a) safety equipment - \$22,890 in fiscal 1996 and \$15,357 in fiscal 1997; b) 1 maintenance van - \$25,000 in fiscal 1997; c) 2 utility vehicles - \$16,000 in fiscal 1997; d) educational audio/visual equipment - \$5,000 each fiscal year; e) 2 equipment trailers - \$18,500 in fiscal 1996; f) visitor center equipment such as interactive videos and display cases - \$5,000 each fiscal year; g) a generator - \$2,100 in fiscal 1997; h) a photocopier - \$2,500 in fiscal 1997; i) a trailblazer for the trails program - \$30,000 each

fiscal year; j) a pressure washer - \$2,000 in fiscal 1997; k) a paint sprayer - \$3,000 in fiscal 1997; and l) a York rake - \$1,500 in fiscal 1996.

2) Capitol Grounds Equipment - The executive requests an additional \$4,000 proprietary funds in fiscal 1994 for a new mower deck.

3) Personal Services Reductions - The executive reduces personal services by 2.41 FTE (from 96.03 to 93.62) and \$65,781 in fiscal 1996 and \$66,021 in fiscal 1997. In addition, a 3.36 percent vacancy savings rate was applied to further reduce personal services by \$85,320 in fiscal 1996 and \$86,485 in fiscal 1997. FTE reductions eliminate a 1.00 FTE grade 16 resource program specialist, 0.25 FTE grade 12 parks maintenance supervisor, 0.04 grade 5 laborer, and 1.12 aggregate positions. Areas of reduced services were not provided. Funding is 94 percent state special and 6 percent proprietary.

LFA Issue - Although this new proposal would decrease personal services funding in the division, the executive requests increases in present law funding (see numbers 6, 7, and 8) that would increase park activity done with current staffing. In addition, the executive requests \$55,335 each fiscal year for increased expenditures for maintenance contracts. Although the executive proposal would reduce FTE and applies vacancy savings, the executive includes \$10,159 each year in overtime.

Other LFA Issues

1) Canyon Ferry Responsibility - In fiscal 1994, the department turned over management of the Canyon Ferry recreational area to the federal government. In fiscal 1994, 6.16 FTE and \$182,456 were budgeted for this purpose, of which \$158,200 was spent and \$24,256 redirected to other activities. The department has reassigned 4.91 of the 6.16 FTE to other priorities in the Park Division, such as additional caretakers, maintenance workers, and park managers. The other 1.25 FTE have been reassigned to the Department Management Division.

The 1989 legislature appropriated funding for 3.30 FTE and \$140,000 in fiscal 1990, and 5.05 FTE and \$206,800 in fiscal 1991 to provide additional services at federally-owned but state-managed recreation sites. Funding was from entrance fees. In fiscal 1994, entrance fee revenue funded \$42,029 of Canyon Ferry expenditures. Since this source of revenue has disappeared along with the duties, the department's budget has already been reduced by this amount. However, revenue from the lodging facilities use tax (\$19,813 in fiscal 1994) and motorboat fuel tax (\$96,358 in fiscal 1994) still exists and expenditures are in the base. Since duties funded from these sources no longer exist, the legislature may wish to consider whether these funds and the 6.16 FTE should continue to be budgeted.

OPTION 1: Maintain all expenditures and FTE previously budgeted for Canyon Ferry in the department's appropriated budget for purposes other than Canyon Ferry activities.

OPTION 2: Eliminate 6.16 FTE and funding of \$116,171 each fiscal year (\$19,813 lodging facilities use tax and \$96,358 motorboat fuel tax).

2) Montana Conservation Corps - In 1989, SB 388 established a Montana Conservation Corps (MCC) within the Parks Division of the Montana Department of Parks (section 23-1-301 through 314, MCA). The purpose of this program was to improve the state parks system and other state lands while helping unemployed or economically disadvantaged youth and adults gain work skills and practical experience. The legislature intended that the program contract with Job Service offices or the Human Resource Development Council for the employment of crewleaders and corps members in approved work projects.

Enactment of HB 660 (1993 session) made the MCC a part of the Montana community service corps established and coordinated in the Office of the Governor (section 90-14-101 through 109, MCA). A coordinator is appointed by the Governor to plan, coordinate, and operate programs administered by the state for community services. The

coordinator is responsible for securing grants for the operation of corps or volunteer projects and is charged with developing state plans for the MCC, among other state community programs. The Office of the Governor is proposing to move the community services program to the Department of Labor and Industry. For a further explanation of the community services program and related issues, see narratives under the Office of the Governor and the Department of Labor and Industry.

The department had intended to pass-through the \$500,000 of federal funds appropriated for the 1995 biennium to a private corporation entitled the MCC, Inc. However, the 1993 legislature eliminated 1.30 FTE and \$109,422 general fund in the 1995 biennium associated with administration of the program. Although \$500,000 federal funds was appropriated for the program, the Office of the Governor also received state special revenue funding of \$500,000 for the 1995 biennium from unemployment administration tax revenue and 1.50 FTE to administer the program. In addition, HB 660 provided a statutory appropriation for any federal and state special revenue the office received in the 1995 biennium. As a result, the department transferred the \$500,000 biennial appropriation to the Wildlife Division for Pittman-Robertson funded projects.

The department's role in the MCC program has decreased substantially since the 1993 session. It received only \$253,150 federal funds from the Office of the Governor to pass-through to the MCC, Inc. and \$23,850 federal funds of administrative overhead. Department staff state that there may be no activity in fiscal 1996, since it is expected that the Office of the Governor will coordinate directly with the MCC, Inc. The Executive Budget contains no funding for the MCC program in the Department of Fish, Wildlife, and Parks.

- OPTION 1: If the legislature concurs with the current administration of the MCC by the community services program, sections 23-1-301 through 314, MCA and section 90-14-101 through 109, MCA, should be amended to properly reflect current MCC activities.
- OPTION 2: If the legislature wishes for the Department of Fish, Wildlife, and Parks to administer the MCC program, administrative and grant funding should be appropriated to the department.

5201 08 00000								
DEPT OF FISH, WILDLIFE & PARKS				CONSERVATION EDUCATION DIV				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	25.25	(3.00)	0.00	22.25	(3.00)	0.00	22.25	22.25
Personal Services	862,407	(59,201)	(21,918)	781,288	(54,858)	(22,218)	785,331	1,566,619
Operating Expenses	873,692	5,413	70,000	949,105	8,684	70,000	952,376	1,901,481
Equipment	20,337	(5,587)	7,000	21,750	413	3,500	24,250	46,000
Grants	11,082	103,918	0	115,000	(11,082)	0	0	115,000
Transfers	0	37,500	0	37,500	37,500	0	37,500	75,000
Total Costs	\$1,767,518	\$82,043	\$55,082	\$1,904,643	(\$19,343)	\$51,282	\$1,799,457	\$3,704,100
Fund Sources								
State/Other Special	1,508,613	53,264	(14,918)	1,546,959	(55,635)	(18,718)	1,434,260	2,981,219
Federal Special	258,905	28,779	70,000	357,684	36,292	70,000	365,197	722,881
Total Funds	\$1,767,518	\$82,043	\$55,082	\$1,904,643	(\$19,343)	\$51,282	\$1,799,457	\$3,704,100

Program Description

The Conservation Education Division, through its Helena office and seven regional information officers, is the department's primary information and education program. Its responsibilities include: 1) distributing public information through news releases, audio-visual materials, brochures, and public service announcements; 2) coordinating youth education programs; 3) printing hunting, fishing, and trapping regulations; 4) coordinating the hunter, bowhunter, snowmobile, boat, and off-highway vehicle education and safety programs; and 5) providing reception services for the department's Helena headquarters. The executive transfers the department's nongame and watchable wildlife efforts to the Wildlife and Parks divisions. The program publishes the Montana Outdoors magazine, produces 16mm color films, radio and television public service announcements and video documentaries, and maintains a film lending library.

Funding

The Conservation Education Division's largest funding source is revenue from hunting and fishing license fees. Other state special revenue sources include coal tax trust earnings, snowmobile and off-highway vehicle fuel taxes, and off-highway vehicle registrations and fines. Federal funds consist of Pittman-Robertson and Dingell-Johnson funds, grants from the Coast Guard and Corps of Engineers, and other sources. LCA consists of state special revenue and federal funds.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - Increases due to vacancy savings, the 1995 biennium pay plan, and increased benefits were offset by unfunded termination expenses in fiscal 1994 and transfers of FTE to other programs during fiscal 1994.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(2.00)	(\$24,403)	(2.00)	(\$19,875)
2 Inflation/Deflation		12,892		20,281
3 Fixed Costs		(64)		(64)
<i>Other Executive Present Law Adjustments</i>				
4 Watchable Wildlife Transfer (ops & PS)	(1.00)	(\$49,672)	(1.00)	(\$49,857)
5 Off-Highway Vehicle Safety		4,000		4,000
6 Shooting Ranges - Grants & Administration (biennial)		107,884		(11,916)
7 Equipment		(5,587)		413
8 Legislative Contract Authority Transfers		37,500		37,500
9 Other		(507)		175
<i>Total Executive Present Law Adjustments</i>	<i>(3.00)</i>	<i>\$82,043</i>	<i>(3.00)</i>	<i>(\$19,343)</i>

As part of the separation of the nongame program and the watchable wildlife program, the department transfers 0.60 FTE to the Parks Division for the watchable wildlife program and 0.40 FTE to the Wildlife Division for the nongame program (see number 4 below). The executive base and present law FTE adjustments reflect the transfer of 2.00 FTE from the Conservation Education Division to the Field Services Division to establish 3.70 FTE field-based conservation specialists positions. In addition, the executive transfers 0.10 FTE from the Law Enforcement Division to this division for additional staffing at the animal shelter in Helena.

2) Inflation and 3) Fixed Costs - Inflation is due primarily to anticipated increases in printing and postage.

4) Watchable Wildlife Transfer - The executive separates the nongame and watchable wildlife programs (formally in the Conservation Education Division) and transfers the watchable wildlife program to the Parks Division and the nongame program to the Wildlife Division. The executive reduces personal services by 1.00 FTE and \$34,798 in fiscal 1996 and \$34,983 in fiscal 1997 and reduces operating expenses by \$14,874 each fiscal year. For a further discussion of this issue, see "Other LFA Issues" under the agency section.

5) Off-Highway Vehicle Safety - The executive requests an additional \$4,000 each fiscal year to provide off-highway vehicle riding safety and ethics material to volunteer instructors. Funding is from off-highway vehicle fuel tax, registration fees, and fines.

6) Shooting Ranges - The executive requests a \$119,800 biennial appropriation for the shooting range program. The request includes: a) \$115,000 for grants to local organizations for the development of safe shooting ranges; and b) \$4,800 for program administration (excluding personal services costs). Department staff state that because of the way grants are advertised and awarded, fiscal 1994 expenditures of \$11,082 for grants are not reflective of the typical biennial activity. In the 1993 biennium, \$119,944 was expended for grants, all in the last year of the biennium.

7) Equipment - The executive requests \$14,750 in fiscal 1996 and \$20,750 in fiscal 1997 for replacement equipment. The requests includes: a) 2 slide projectors - \$750 each fiscal year; b) a 1/2 inch Beta video camera - \$14,000 in fiscal

1996; c) a Beta SPPVV 1 recorder - \$7,000 in fiscal 1997; and d) a PVW editor - \$13,000 in fiscal 1997. Other equipment purchases are requested in a new proposal.

8) Legislative Contract Authority - The executive requests \$37,500 each fiscal year in legislative contract authority. For discussion of this item, see "Other LFA Issues" in the agency section.

9) Other - Miscellaneous changes to the present law are not material.

5201 08 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Hunter Ethics			\$10,000			\$10,000
2 Hunter Education			60,000			60,000
3 Conservation/Ed Equipment			7,000			3,500
4 Personal Services Reductions			(21,918)			(22,218)
Totals			\$55,082			\$51,282

Executive New Proposals

1) Hunter Ethics - The executive requests an additional \$10,000 federal funds each fiscal year to print and distribute a booklet to enhance hunter ethics. The publication would be distributed annually to the approximately 8,000 students taught in the hunter and bowhunter safety classes and would emphasize respect for game animals, other hunters, landowners, the land, and Montana's hunting tradition. The department feels that because of the changing demographics and values in the state, additional efforts must be made to preserve Montana's hunting heritage.

2) Hunter Education - The executive requests an additional \$60,000 federal funds each fiscal year to expand the hunter education program. The expansion contains three parts: a) evaluation of hunter and bowhunter education classes to determine if objectives are being met and development of new resource materials; b) provision of advanced educational opportunities for youth and adults through course instruction in safety, ethics, wildlife biology, and wildlife management; and c) provision of an opportunity to spend several days in the field to the 35 percent of hunter education participants who normally do not hunt. The latter would be a cooperative effort with other organizations such as the Montana Outfitters and Guides Association, private landowners, and hunter education instructors.

3) Conservation Education Equipment - The executive requests an additional \$7,000 in fiscal 1994 and \$3,500 in fiscal 1997 for new equipment. The request includes: a) video and films - \$2,000 each fiscal year; b) 1 video projector - \$3,500 in fiscal 1996; and c) 2 portable video projectors - \$1,500 each fiscal year.

4) Personal Services Reductions - The executive reduces personal services by \$21,918 in fiscal 1996 and \$22,218 in fiscal 1997 by applying a 2.73 percent vacancy savings rate. Areas of reduced services were not provided. Funding is from the general license account.

DEPT OF FISH, WILDLIFE & PARKS**Program Summary****DEPARTMENT MANAGEMENT**

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	41.68	2.70	2.50	46.88	2.70	2.50	46.88	46.88
Personal Services	1,547,307	76,312	13,806	1,637,425	84,422	13,454	1,645,183	3,282,608
Operating Expenses	910,035	93,355	228,100	1,231,490	102,994	203,100	1,216,129	2,447,619
Equipment	33,691	(5,286)	12,500	40,905	(5,286)	12,500	40,905	81,810
Grants	99,428	95,572	0	195,000	95,572	0	195,000	390,000
Transfers	2,852	122,148	0	125,000	122,148	0	125,000	250,000
Total Costs	\$2,593,313	\$382,101	\$254,406	\$3,229,820	\$399,850	\$229,054	\$3,222,217	\$6,452,037
Fund Sources								
State/Other Special	2,078,780	238,501	254,406	2,571,687	260,064	229,054	2,567,898	5,139,585
Federal Special	514,533	143,600	0	658,133	139,786	0	654,319	1,312,452
Total Funds	\$2,593,313	\$382,101	\$254,406	\$3,229,820	\$399,850	\$229,054	\$3,222,217	\$6,452,037

Program Description

The Department Management Division is responsible for: 1) overall department direction regarding policy, planning, program development, guidelines, and budgets; 2) liaison with the Governor's Office and the legislature; 3) interaction with the Fish, Wildlife and Parks Commission; 4) decision-making for key resource activities affecting the department; 5) administration of seven major divisions that provide program development and staff support; 6) supervision of seven regional offices that are responsible for program implementation; 7) legal services for the department; and 8) liaison with Montana's Indian tribes and with other state and federal agencies.

Funding

The Department Management Division is funded with hunting and fishing license fee revenue, a portion of the federal indirect cost pool, and miscellaneous federal assistance. LCA is funded with federal funds.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - Vacancy savings and increased costs of the 1995 biennium pay plan are partially offset by fiscal 1994 termination payout costs. The executive's base and present law FTE adjustments include the following changes. Due to the elimination of Region 8, the department transfers 2.70 FTE from the Field Services Division to the Department Management Division and reassigns duties to Region 3. The executive transfers 0.27 FTE for the Department Management Division to establish field-based conservation specialists positions in the Field Services Division. Due to a need in the design and construction bureau, the department transfers 0.10 FTE to the Field Services Division.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	2.70	\$72,587	2.70	\$80,697
2 Inflation/Deflation		9,729		14,877
3 Fixed Costs		9,259		9,514
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$66,762		\$66,762
5 Legal Fees		12,859		12,859
6 Additional FWP Commission Meetings		10,620		10,620
7 Regional Office Maintenance		5,361		8,310
8 Sikes Act		30,515		30,515
9 Equipment		(5,286)		(5,286)
10 Grants		45,572		45,572
11 Legislative Contract Authority Transfers		125,000		125,000
12 Other		(877)		410
<i>Total Executive Present Law Adjustments</i>	<i>2.70</i>	<i>\$382,101</i>	<i>2.70</i>	<i>\$399,850</i>
<i>LFA Issues With Executive PL Adjustments</i>				
5 Legal Fees				
10 Grants				

2) Inflation & 3) Fixed Costs - Inflation is primarily due to anticipated increases in utilities and travel.

4) Contracted Services - The executive requests \$127,000 each fiscal year for contracted services, an increase over the \$60,238 spent in fiscal 1994. Contracts include: a) secretarial support at regional headquarters - \$10,000; b) department-wide employee training - \$30,000; c) Native American liaison and technical assistance - \$20,000; d) Riparian Association membership - \$4,000; e) proactive involvement in federal endangered species - \$25,000; f) natural resource database development - \$15,000; g) policy research and development - \$10,000; h) assistance with American Disability Act compliance - \$13,000.

Additional funding for Native American liaison and technical assistance and proactive involvement in federal endangered species is requested as a new proposal.

5) Legal Fees - The executive requests \$58,880 each fiscal year to pay court ordered costs, an increase over the \$46,021 spent in fiscal 1994. Although \$25,000 was appropriated for increased legal costs in the 1995 biennium, nothing was spent of the increase in fiscal 1994. The executive is requesting that the amount appropriated in the 1995 biennium be split in the 1997 biennium. Historical expenditures were \$23,811 in fiscal 1993 and \$42,103 in fiscal 1992.

6) Additional FWP Commission Meetings - The executive requests additional funding to increase the number of FWP Commission meetings and work sessions from the normal 12 to 16 per year. The additional four meetings are work

sessions to provide more opportunity for public input on fish and wildlife issues. The requested \$10,620 increase includes: a) \$3,725 for per diem; and b) \$6,895 for travel expenses.

7) Regional Office Maintenance - The executive requests \$58,990 in fiscal 1996 and \$61,939 in fiscal 1997 for maintenance at the seven regional offices, an increase over the \$53,628 spent in fiscal 1994. The 1993 legislature approved an additional \$38,927 in fiscal 1994 and fiscal 1995 for this purpose.

8) Sikes Act - The executive requests \$85,000 (88 percent federal funds, 12 percent general license account) each year for state/federal cooperative habitat projects, an increase over the \$54,485 spent in fiscal 1994. The federal Sikes Act provides for state/federal cooperation on wildlife habitat projects. Both the Bureau of Land Management and the U.S. Forest Service have committed to wildlife habitat enhancement projects. The 1993 legislature approved a \$170,000 biennial appropriation for the 1995 biennium. The executive requests that the 1995 biennium appropriated amount be split in the 1997 biennium.

9) Equipment - The executive requests \$28,405 each fiscal year for replacement equipment. The request includes: a) 4 copiers - \$20,100 each fiscal year; b) postage meters and a letter folder - \$6,000 in fiscal 1996 and \$4,000 in fiscal 1997; c) a facsimile machine - \$2,400 in fiscal 1997; and d) office furniture - \$2,305 in fiscal 1996 and \$1,905 in fiscal 1997. Additional equipment purchases are requested in a new proposal.

10) Grants - The executive requests \$195,000 each fiscal year to grant to other state agencies, an increase over the \$149,428 spent in fiscal 1994. Grants include: a) \$110,000 each fiscal year to the Department of Livestock to kill coyotes (in fiscal 1994, \$99,428 was granted); b) \$50,000 to the State Library to support the Natural Resource Information System and the National Heritage Program (\$25,000); and c) \$35,000 to MSU to provide partial funding of a Wildlife Cooperative Specialist.

The grant to MSU is new to the department and would provide funding for a person to act as a liaison between the agricultural community, sportsmen groups, and the department.

LFA Issue - The 1993 legislature appropriated \$110,000 each year in grant funds to the Department of Livestock for predator control. The Department of Livestock spends the funds to kill coyotes by shooting them from its helicopter or by contracting with the federal Animal Damage Control (ADC) agency or private pilots. In fiscal 1994, the department did not fly its helicopter, but contracted with ADC for pilot services. In the Department of Livestock's 1997 biennium budget request, the executive includes funds to continue the contract to pilot its helicopter (see a related issue in the Predator Control Program in the Department of Livestock) and includes \$110,000 anticipated from the Department of Fish, Wildlife, and Parks. Since the Department of Livestock is no longer directly providing predator control services, FWP does not need to contract with the Department of Livestock, but rather with ADC.

OPTION: The Department of Fish, Wildlife, and Parks should contract directly with ADC if predator control services are required. The \$110,000 yearly appropriation requested in the Department of Livestock would not be required.

11) Legislative Contract Authority - The executive requests \$125,000 each fiscal year in legislative contract authority. For discussion of this item, see "Other LFA Issues" in the agency section.

12) Other - Miscellaneous changes to the present law are not material.

Executive New Proposals

1) Attorney General Assistance - The executive requests an additional \$36,100 from the general license account each fiscal year to contract with the Attorney General to provide for prosecutions of crimes related to fish and wildlife resources. Department staff state that since county attorneys often do not have the time or expertise to prosecute

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Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Attorney General Assistance			\$36,100			\$36,100
2 Dept Management Equipment			12,500			12,500
3 Area Office Implementation	2.50		183,906	2.50		184,074
4 Contracted Services			60,000			35,000
5 Personal Services Reductions			(38,100)			(38,620)
Totals	2.50		\$254,406	2.50		\$229,054

public resource related crimes, the new proposal would enable the Attorney General to provide persons and resources for such prosecutions. Since the Agency Legal Services program in the Department of Justice charges \$53 per hour, the department would receive 681 hours of assistance.

The 1993 legislature approved \$36,100 each year of the 1995 biennium for this purpose, but specified that the amount was not to be included in the executive 1997 biennium budget request. In fiscal 1994, the entire \$36,100 was spent. In fiscal 1992, the legislature approved an additional 1.00 FTE attorney or paralegal for \$35,000 to handle an increasing number of complex legal issues concerning fish and wildlife resources. Currently, the department has four attorneys on staff. Although the department could hire another attorney with the funding requested in this new proposal, department staff state that current staff lack the ability to assist county attorneys in the prosecution of fish and wildlife cases when requested to do so.

2) Department Management Equipment - The executive requests an additional \$12,500 each fiscal year from the general license account for new equipment. The request is for geographical information system (GIS) hardware and computer furniture. The 1993 legislature approved a \$45,000 budget modification for each fiscal year for increased GIS activity, \$12,500 of which was to be used to purchase computer and plotter hardware and software.

3) Area Office Implementation - The executive requests an additional 2.50 FTE and \$183,906 in fiscal 1996 and \$184,074 in fiscal 1997 from the general license account to open staff offices in six cities. The new proposal requests \$51,906 in fiscal 1996 and \$52,074 in fiscal 1997 for personal services funding, \$60,000 each year for office rent, and \$72,000 for other operating expenses. The request would consolidate department employees in Libby, Hamilton, Butte, Dillon, Lewistown, and Havre into offices. Currently, there are three or more department employees in these towns. Each office would have part-time administrative personnel available. Department staff state that attempts would be made to share office space with other state and federal agencies.

4) Contracted Services - The executive requests \$60,000 in fiscal 1996 and \$35,000 in fiscal 1997 from the general license account for additional contracted services. This new proposal would provide contracted services for: a) regional headquarter performance review - \$25,000 in fiscal 1996; b) Native American liaison and technical assistance - \$20,000 each fiscal year; and c) proactive involvement in federal endangered species - \$15,000 each fiscal year. Funds spent in fiscal 1996 for regional performance review should be considered one-time expenses and not included in the executive fiscal 1999 biennium budget request.

In present law, the executive requests expenditures for two of these purposes (see number 4 under the "Executive Present Law" section): a) Native American liaison and technical assistance - \$20,000 each fiscal year; and b) proactive involvement in federal endangered species - \$25,000 each fiscal year.

5) Personal Services Reductions - The executive reduces personal services by \$38,100 from the general license account in fiscal 1996 and \$38,620 in fiscal 1997 by applying a 2.35 percent vacancy savings rate. Areas of reduced services or other justification for the decrease was not provided.

Although this new proposal would decrease personal service funding in the division, the executive requests a \$1,170 increase in personal services for anticipated overtime.

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DEPARTMENT OF STATE LANDS			BIENNIUM BUDGET COMPARISON					
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	350.36	2.00	352.36	350.36	2.00	352.36	356.56	352.36
Personal Services	11,335,443	(266,328)	11,069,115	11,381,983	(269,130)	11,112,853	21,349,240	22,181,968
Operating Expenses	13,257,482	347,875	13,605,357	9,499,566	225,375	9,724,941	19,298,320	23,330,298
Equipment	1,092,030	104,000	1,196,030	884,330	5,000	889,330	1,574,057	2,085,360
Capital Outlay	5,000	0	5,000	5,000	0	5,000	7,989	10,000
Grants	265,000	0	265,000	265,000	0	265,000	530,000	530,000
Transfers	332,000	168,000	500,000	332,000	45,500	377,500	331,272	877,500
Total Costs	\$26,286,955	\$353,547	\$26,640,502	\$22,367,879	\$6,745	\$22,374,624	\$43,090,878	\$49,015,126
Fund Sources								
General Fund	9,313,345	(121,057)	9,192,288	9,228,183	(307,482)	8,920,701	16,085,729	18,112,989
State/Other Special	9,436,542	193,059	9,629,601	5,704,371	159,662	5,864,033	13,506,546	15,493,634
Federal Special	6,971,085	141,875	7,112,960	6,859,524	137,652	6,997,176	12,634,134	14,110,136
Proprietary	565,983	139,670	705,653	575,801	16,913	592,714	864,469	1,298,367
Total Funds	\$26,286,955	\$353,547	\$26,640,502	\$22,367,879	\$6,745	\$22,374,624	\$43,090,878	\$49,015,126

Agency Description

The Department of State Lands (DSL) has four basic functions: 1) management of the lands held by the state in trust for the support of the common schools and other institutions; 2) regulation of mining conducted on private, state, and federal lands; 3) fire prevention and suppression on certain private, state, and federal lands; and 4) regulation of and assistance to private forest land owners. The State Board of Land Commissioners, comprised of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State, is the head of the department and exercises the general authority, direction, and control over the care, management, and disposition of state lands under its administration. Section 2-15-3201, MCA, provides the statutory authority for the department. The Commissioner of State Lands is the chief administrative officer of the board.

Supplemental Request

The legislature usually does not appropriate any funds to suppress wildfires (other than personal services appropriated for other purposes but spent on fire suppression), but approves a supplemental appropriation to reimburse the department for appropriation transfers and actual and expected fire suppression costs.

The Executive Budget requests two supplemental appropriations totalling \$12.7 million for the Department of State Lands to: 1) replace \$7.0 million of the department's fiscal 1995 general fund operating appropriation spent for wildfire suppression; and 2) pay an estimated \$5.7 million for forthcoming wildfire suppression bills from the U.S. Forest Service and Bureau of Land Management, and estimated 1995 spring fires. Not included in the supplemental request is \$8.2 million general fund spent by the Department of State Lands and the Department of Military Affairs from emergency appropriations authorized by the Governor under section 10-3-312(a) and (b), MCA.

Although the Executive Budget anticipates two supplemental bills in the above amounts to pay wildfire suppression costs, the amounts requested in the actual legislation vary. In HB 14, \$5.0 million is requested to pay: 1) \$373,874 transferred from fiscal 1995 to fiscal 1994 to pay spring fire costs incurred by the department in 1994; 2) fiscal 1995 wildfire suppression costs paid by the department for fires on land under both state and federal jurisdiction; and 3) pending bills that require immediate payment by the department. Because adjustments may still occur, the amount of the final supplemental request may vary. In addition, the amount of the request will be reduced by the amount of budgeted personal services costs (appropriated for normal forestry activities) that were spent and charged to wildfire

suppression efforts. In HB 3, the \$7.7 million request reflects anticipated bills from federal agencies for their costs incurred for assisting in wildfire suppression on land under state jurisdiction.

State and federal agencies assist each other in their wildfire suppression efforts and then bill each other for the costs. Any reimbursements from federal agencies and private/corporate entities (responsible for starting a fire) are deposited in the general fund. The executive estimates that \$7.4 million of general fund spent by the state to assist federal agencies plus costs eligible to be paid by the Federal Emergency Management Agency will be reimbursed to the general fund. Since fiscal 1989, the legislature has appropriated some of these reimbursements to the department to fund additional administrative assistance when administrative personnel are doing work associated with fire suppression. An issue with this practice is raised in the Forestry Division "Executive Present Law" narrative in the Department of State Lands.

The amount of wildfire suppression supplemental budget authority approved by the legislature has varied widely, as Table 1 shows. If the fiscal 1995 Executive Budget supplemental requests are approved, the total fire suppression costs for the 1995 biennium (including emergency appropriation expenditures) will be \$20.9 million, the highest ever.

Table 1
General Fund Supplementals for
Wildfire Suppression Costs

Biennium	Millions
1985	\$2.9
1987	3.7
1989	12.6
1991	3.0
1993	7.9
1995 *	12.7

* Executive Budget request. Does not include \$8.2 million of emergency appropriations authorized by the Governor for wildfire suppression.

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DEPARTMENT OF STATE LANDS								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	356.27	(5.91)	2.00	352.36	(5.91)	2.00	352.36	352.36
Personal Services	10,529,642	805,801	(266,328)	11,069,115	852,341	(269,130)	11,112,853	22,181,968
Operating Expenses	8,003,865	5,253,617	347,875	13,605,357	1,495,701	225,375	9,724,941	23,330,298
Equipment	703,398	388,632	104,000	1,196,030	180,932	5,000	889,330	2,085,360
Capital Outlay	2,989	2,011	0	5,000	2,011	0	5,000	10,000
Grants	265,000	0	0	265,000	0	0	265,000	530,000
Transfers	123,323	208,677	168,000	500,000	208,677	45,500	377,500	877,500
Total Costs	\$19,628,217	\$6,658,738	\$353,547	\$26,640,502	\$2,739,662	\$6,745	\$22,374,624	\$49,015,126
Fund Sources								
General Fund	8,175,664	1,137,681	(121,057)	9,192,288	1,052,519	(307,482)	8,920,701	18,112,989
State/Other Special	5,497,731	3,938,811	193,059	9,629,601	206,640	159,662	5,864,033	15,493,634
Federal Special	5,595,631	1,375,454	141,875	7,112,960	1,263,893	137,652	6,997,176	14,110,136
Proprietary	359,191	206,792	139,670	705,653	216,610	16,913	592,714	1,298,367
Total Funds	\$19,628,217	\$6,658,738	\$353,547	\$26,640,502	\$2,739,662	\$6,745	\$22,374,624	\$49,015,126

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

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Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Aircraft Maintenance	0.00	\$168,000	\$336,000	0.00	\$45,500	\$91,000
2 Personal Services Reductions	0.00	0	(28,330)	0.00	0	(28,587)
3 Reclamation Equipment	0.00	0	11,000	0.00	0	5,000
4 Personal Services Reductions	(1.00)	0	(85,246)	(1.00)	0	(85,811)
5 Personal Services Reductions	(1.00)	(65,033)	(65,033)	(1.00)	(65,415)	(65,415)
6 Community Forestry FTE	3.00	0	87,375	3.00	0	87,652
7 Forest Products Sales Funding	6.00	0	313,094	6.00	0	313,572
8 Aviation Support Equipment	0.00	61,380	93,000	0.00	0	0
9 Personal Services Reductions	(5.00)	(285,404)	(358,313)	(5.00)	(287,567)	(360,666)
10 BA1098 Inter-Agency Fire Op.	0.00	0	50,000	0.00	0	50,000
Totals	2.00	(\$121,057)	\$353,547	2.00	(\$307,482)	\$6,745

DEPARTMENT OF STATE LANDS

Program Summary

CENTRAL MANAGEMENT PROGRAM

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	30.26	(1.46)	0.00	28.80	(1.46)	0.00	28.80	28.80
Personal Services	1,059,164	5,690	(28,330)	1,036,524	10,443	(28,587)	1,041,020	2,077,544
Operating Expenses	481,916	120,537	168,000	770,453	85,619	45,500	613,035	1,383,488
Equipment	6,410	(6,410)	0	0	(6,410)	0	0	0
Grants	265,000	0	0	265,000	0	0	265,000	530,000
Transfers	123,323	188,677	168,000	480,000	188,677	45,500	357,500	837,500
Total Costs	\$1,935,813	\$308,494	\$307,670	\$2,551,977	\$278,329	\$62,413	\$2,276,555	\$4,828,532
Fund Sources								
General Fund	1,332,291	78,594	168,000	1,578,885	38,849	45,500	1,416,640	2,995,525
State/Other Special	123,788	23,651	0	147,439	23,413	0	147,201	294,640
Federal Special	120,543	(543)	0	120,000	(543)	0	120,000	240,000
Proprietary	359,191	206,792	139,670	705,653	216,610	16,913	592,714	1,298,367
Total Funds	\$1,935,813	\$308,494	\$307,670	\$2,551,977	\$278,329	\$62,413	\$2,276,555	\$4,828,532

Program Description

The Central Management Program provides administrative and operational support services to all programs within the department. Support services include fiscal affairs, data processing, personnel, legal, reception, mail, and aviation. Responsibilities include trust revenue collection and distribution; oil, gas, and coal royalty audits; and maintenance of ownership records for trust and non-trust state-owned land.

Funding

The Central Management Program is funded with general fund, reclamation and development funds, resource development funds, federal indirect grant reimbursements, and proprietary funds.

General fund, as a part of the funding for the Air Operations Bureau, is transferred to and spent from the bureau's proprietary fund account as required by GAAP and recommended by the Legislative Auditor. Transfers total \$312,000 each year. The executive also requests \$265,000 general fund each year for payments of foregone property tax revenue to 20 counties where state land is in excess of 6 percent of the county (see "Other LFA Issues"). The balance of the general fund provides administrative support for other agency programs. State special revenue consists of two components. The reclamation and development fund, which receives RITT interest, totals \$38,944 in fiscal 1996 and \$39,141 in fiscal 1997. The resource development fund, which receives 2.5 percent of the interest and income generated by the public school trust (except timber sale revenue) finances: 1) the state trust land marketing system; 2) one-half of the yearly travel costs of the oil and gas royalty auditor; and 3) a portion of the travel expenses for the fiscal specialist in the Land Administration Division, which performs royalty audit duties. These funds no longer support 1.0 FTE and expenses for a royalty auditor in the Department of Revenue. Federal revenue consists of federal indirect grant reimbursements.

Historically, the aviation program's variable costs, such as fuel and maintenance, are financed from the proprietary fund, while its fixed costs are paid with general fund. Each year the program develops an hourly rate to charge users of the department's aircraft, and revenue from this charge is deposited to the proprietary account. General fund support of the program is also deposited in the account and is budgeted as a transfer expenditure. During the 1993 session, the legislature replaced a portion of the general fund with surplus fund balance in the proprietary account. The balance in the account is insufficient to maintain this replacement in the 1997 biennium. As a result, the

executive adds \$188,677 of general fund each year (see the "Executive Present Law" adjustment #10). For a related fund balance issue, see the Aircraft Maintenance "Executive New Proposal" #1.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(1.46)	\$46,205	(1.46)	\$50,972
2 Inflation/Deflation		2,876		11,056
3 Fixed Costs		(45,172)		(92,549)
<i>Other Executive Present Law Adjustments</i>				
4 November 1993 Special Session Reduction - (1.50 FTE)		(\$47,621)		(\$47,621)
5 Phase-in & Transfer of Helicopter Personal Services-0.59 FTE		7,106		7,092
6 Trust Land Marketing System		14,256		14,256
7 Increased Flight Hours		88,198		88,198
8 Previous Helicopter Modification		58,560		58,560
9 Equipment		(6,410)		(6,410)
10 General Fund Transfer to Proprietary Account		188,677		188,677
11 Other		1,819		6,098
<i>Total Executive Present Law Adjustments</i>	(1.46)	\$308,494	(1.46)	\$278,329
<i>LFA Issues With Executive PL Adjustments</i>				
6 Trust Land Marketing System				
7 Increased Flight Hours				

- 1) Other Personal Services - The increase is due to the net of reversions, the pay raise authorized by the 1993 legislature, increased benefits, retirement buyouts, termination payouts, and more work hours.
- 2) Inflation - The large increase between fiscal years 1996 and 1997 is due to the large amount of gasoline requested and the expected price increase between the two fiscal years.
- 3) Fixed Costs - Fixed costs in this program decrease because fixed costs have been allocated to other programs, rather than centralized in this program. The allocation results in a net general fund savings. Fixed costs decrease more in fiscal 1997 than in fiscal 1996 due to the \$47,381 biennial appropriation requested to pay Legislative Auditor fees. In fiscal 1994, \$25,104 was spent for this purpose.

4) November 1993 Special Session Reduction - The executive maintains the elimination of 1.50 FTE in fiscal 1995 made in the November 1993 Special Session, for a general fund savings of \$47,621 each year. Positions eliminated include a receptionist, an information system specialist, and a property agent. A portion of these savings are offset by a request for additional maintenance funding (see #6 below).

5) Phase-in of Helicopter Personal Services - The 1993 legislature approved an additional 0.59 FTE (to 0.85 FTE) in fiscal 1995 to phase-in a budget modification for the development and operation of two federal surplus helicopters for an increase of \$17,683 each fiscal year. The executive transfers 0.55 FTE of this addition to the Forestry Division for pre-fire suppression activity for a decrease in this program of \$10,577 in fiscal 1996 and \$10,591 in fiscal 1997.

6) Trust Land Marketing System - The executive requests an additional \$14,256 each year to fund operation and maintenance costs of the trust land marketing system provided by the Information Services Division (ISD).

LFA Issue - The November 1993 Special Session eliminated a 1.00 FTE information system specialist who previously had performed the work, with no anticipation that additional costs would be incurred.

7) Increased Flight Hours - The executive requests additional funding for an anticipated increase in hours flown by the department aircraft from the fiscal 1994 level. Fiscal 1994 was a relatively wet year with few wildfires. As a result, the department states that hours flown were reduced by approximately 75 percent from a ten year average. The executive requests an additional \$77,751 for fuel each fiscal year (for a total of \$101,500 each year) and an additional \$10,447 for maintenance each fiscal year.

LFA Issue - The amount of expenditures in the 1997 biennium is uncertain due to the inability to forecast the type of fire season that may occur. Over the past seven years, the program has spent a yearly average of \$46,442 for gasoline (\$23,769 was spent in fiscal 1994). The department has the ability to transfer appropriations from fiscal 1997 to supplement fiscal 1996 appropriations.

OPTION: Reduce \$55,058 each fiscal year of proprietary funds for gasoline to maintain the seven-year average level of funding.

8) Previous Helicopter Modification - The 1993 legislature approved a budget modification to retrofit two additional helicopters on loan from the federal excess property program in fiscal 1994, and to continue their operation in fiscal 1995. The legislature specified that fiscal 1994 expenditures were not to be included in the base and recognized that the 1995 appropriated amount (0.85 FTE, \$31,445 general fund, \$9,224 state special revenue, and \$58,560 proprietary funds) was the correct amount to be budgeted in the 1997 biennium. Since the executive transfers 0.55 FTE, \$20,103 general fund, and \$9,224 state special revenue of the modification to the Forestry Program, the Central Management budget reflects an increase of \$58,560 each year of proprietary funds.

9) Equipment - The executive requests no equipment purchases for this program.

10) General Fund Transfers to the Proprietary Account - The executive fully funds aviation fixed costs with general fund for an increase of \$188,677 each year (see "Funding" section). These funds are budgeted as a transfer expenditure and deposited in the proprietary account. This increase replaces a one-time funding switch of proprietary fund balance by the 1993 legislature.

11) Other - Other increases include increased maintenance contracts.

Executive New Proposals

1) Aircraft Maintenance - The executive requests an additional \$336,000 in fiscal 1996 and \$91,000 in fiscal 1997 (50 percent general fund, 50 percent proprietary funds) for major periodic maintenance of the department's five aircraft

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Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Aircraft Maintenance		\$168,000	\$336,000		\$45,500	\$91,000
2 Personal Services Reductions			(28,330)			(28,587)
Totals		\$168,000	\$307,670		\$45,500	\$62,413

as required to meet FAA requirements. The proprietary funding represents the spending of the general fund after it is transferred to the proprietary account. Historically, anticipated major periodic maintenance costs are not funded with general fund, but are built into the rates charged for use of the aircraft. Payments are then deposited into the proprietary account. However, the fund balance in the proprietary account that had been accumulating for this purpose was used in place of general fund in fiscal 1994 and is no longer available to fund this new proposal.

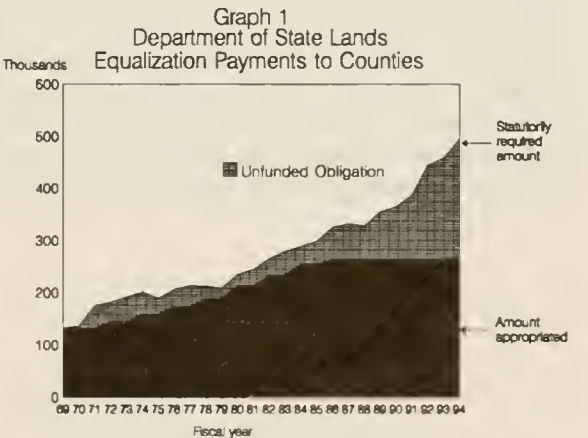
2) Personal Services Reductions - The executive applies a 12.1 percent vacancy savings rate to reduce personal services in the Air Operations Bureau by \$28,330 proprietary funds in fiscal 1996 and \$28,587 in fiscal 1997. Areas of reduced services were not provided.

LFA Issue - Although this new proposal would decrease personal services funding in the Air Operations Bureau, the executive includes present law increases for this program based on increased flight hours.

Other LFA Issues

State Land Equalization Payments - The executive requests \$265,000 general fund each fiscal year for state land equalization payments in the 20 counties where state land is in excess of six percent of the county area. It is anticipated that the statutorily required amount will be nearly \$500,000 each year. Section 77-1-501 through 77-1-506, MCA, provides a formula for computing the amount of payment and requires the Department of Administration to issue a general fund warrant for the payment. Over time, computed payments have increased due to the net of changes in the: 1) number of counties eligible to receive equalization payments; 2) number of acres applicable; and 3) taxable values and tax rates. Appropriations for these payments have not been sufficient since fiscal 1970.

Graph 1 shows the statutorily required amounts and amounts appropriated by the legislature each year since 1969. Since fiscal 1970, appropriated amounts have been less than amounts required by statute; although appropriations increased steadily until fiscal 1986. Since then, they have remained at \$265,000 per year. However, since fiscal 1986 the statutorily required amounts have increased at a more rapid rate than previously, resulting in a growing unfunded obligation each year. In fiscal 1994, appropriations provided payment for only 53 percent of the statutorily required amount.



- OPTION 1: Increase the Executive Budget by \$235,000 general fund each year to fund the statutorily required amount of state equalization payments up to a level of \$500,000 each year. The appropriation could be restricted for that purpose only.
- OPTION 2: Amend section 77-1-501, MCA, so the statutorily required amount of state land equalization payments is \$265,000.

DEPARTMENT OF STATE LANDS

Program Summary

RECLAMATION PROGRAM

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	52.43	0.00	(1.00)	51.43	0.00	(1.00)	51.43	51.43
Personal Services	1,784,475	144,463	(85,246)	1,843,692	154,089	(85,811)	1,852,753	3,696,445
Operating Expenses	5,031,062	3,862,606	0	8,893,668	167,774	0	5,198,836	14,092,504
Equipment	85,912	21,188	11,000	118,100	20,738	5,000	111,650	229,750
Transfers	0	20,000	0	20,000	20,000	0	20,000	40,000
Total Costs	\$6,901,449	\$4,048,257	(\$74,246)	\$10,875,460	\$362,601	(\$80,811)	\$7,183,239	\$18,058,699
Fund Sources								
General Fund	0	287,880	0	287,880	283,310	0	283,310	571,190
State/Other Special	2,218,524	2,683,405	(78,746)	4,823,183	(1,026,120)	(80,811)	1,111,593	5,934,776
Federal Special	4,682,925	1,076,972	4,500	5,764,397	1,105,411	0	5,788,336	11,552,733
Total Funds	\$6,901,449	\$4,048,257	(\$74,246)	\$10,875,460	\$362,601	(\$80,811)	\$7,183,239	\$18,058,699

Program Description

The Reclamation Division is responsible for the administration and enforcement of all Montana's mined land reclamation statutes and administrative rules. This responsibility involves the regulation of mining on all lands within the state, regardless of ownership, and the reclamation of active and abandoned mine sites. The division and its four bureaus administer: the Montana Strip and Underground Mine Reclamation Act; the Montana Open-Cut Mining Act; the Montana Strip and Underground Mine Siting Act; statutes regulating hard-rock mining (Montana Metal Mine Reclamation Act); and the regulatory program of the Federal Surface Mining Control and Reclamation Act.

Funding

The Reclamation Division contains seven programs, funded with general fund, state special revenue, and federal funds. Table 2 details the executive funding of the program. Although general fund did not fund any of this division in fiscal 1994, the executive includes \$287,880 general fund in fiscal 1996 and \$283,310 in fiscal 1997 and reduces funding from RITT interest (reclamation and development account). State special revenue includes mining fees, fines, penalties, bond forfeitures, RITT funds, and environmental impact statement (EIS) fees. As required by the Montana Environmental Policy Act (MEPA), EIS fees are collected from industries that propose major mining activities to pay independent contractors retained by the department to prepare EIS's. Federal funds are received from the U.S. Department of Interior, primarily for abandoned mine reclamation and regulation of coal mines. The ratio of state funding from RITT interest to federal funding in the Coal and Uranium Bureau is based on the type of ownership of permitted acreage. In the 1997 biennium, the executive estimates that 75 percent of the permitted acres will be federal and 25 percent state. The Abandoned Mines Bureau is entirely federally funded through a federal tax on Montana's coal production, of which up to 50 percent is returned to the state through a grant application process.

Table 2
Reclamation Program
Executive Funding

Program	General Fund	Reclamation Development	Hardrock Fund *	Bond Forfeiture **	DSL EIS ***	Federal	Total Funds
Fiscal 1996							
Administration		\$71,815					\$71,815
Opencut	\$69,685	181,316	\$15,500				266,501
Coal and Uranium		233,039				\$819,116	1,052,155
Abandoned Mines						4,940,781	4,940,781
Hard Rock	218,195	554,683	200,000				972,878
Environmental Analysis					\$3,145,576		3,145,576
Bond Forfeitures				\$500,000			500,000
New Proposals		6,500			(85,246)	4,500	(74,246)
Total Fiscal 1996	\$287,880	\$1,047,353	\$215,500	\$500,000	\$3,060,330	\$5,764,397	10,875,460
Fiscal 1997							
Administration		\$72,214	\$0	\$0	\$0	\$0	\$72,214
Opencut	\$63,402	164,729	15,500	0	0	0	243,631
Coal and Uranium		234,409	0	0	0	823,227	1,057,636
Abandoned Mines		0	0	0	0	4,965,109	4,965,109
Hard Rock	219,908	558,472	0	0	0	0	778,380
Environmental Analysis		0	0	0	147,080	0	147,080
Bond Forfeitures		0	0	0	0	0	0
New Proposals		5,000			(85,811)		(80,811)
Total Fiscal 1997	\$283,310	\$1,034,824	\$15,500	\$0	\$61,269	\$5,788,336	\$7,183,239
* \$200,000 biennial appropriation in Hard Rock							
** Biennial appropriation							
*** \$3.0 million biennial appropriation							

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The executive makes over \$4.0 million in present law adjustments in fiscal 1996. This increase is primarily due to the addition of biennial appropriations for various contingencies, significantly in excess of actual expenditures in 1994.

1) Personal Services - The increase is due to the net of reversions, the pay raise authorized by the 1993 legislature, increased benefits, retirement buyouts, termination payouts, and greater work hours. A large portion of the increase is due primarily to \$77,746 of unspent personal services in fiscal 1994 and pay increases approved by the Department of Administration for engineers, solid and hazardous waste specialists, and environmental impact specialists.

3) Fixed Costs - Fixed costs increase primarily because fixed costs have been allocated to each program, rather than centralized in the Central Management Division. The reallocation results in a net general fund savings.

4) Contracted Services - As shown in Table 3, the executive requests \$8.1 million in fiscal 1996 and \$4.4 million in fiscal 1997 for contracted services, an increase of \$3.8 million in fiscal 1996 and \$0.1 million in fiscal 1997. The increase differs between fiscal 1996 and 1997 because of biennial appropriations in the hard rock, bond forfeitures, and environmental analysis programs.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services		\$144,463		\$154,089
2 Inflation/Deflation		3,665		6,792
3 Fixed Costs		39,463		39,385
Other Executive Present Law Adjustments				
4 Contracted Services		\$3,773,453		\$73,453
5 Federal Indirect Costs		37,348		37,348
6 Equipment		21,188		20,738
7 Transfer to State Library		20,000		20,000
8 Other		8,677		10,796
Total Executive Present Law Adjustments	<u>0.00</u>	<u>\$4,048,257</u>	<u>0.00</u>	<u>\$362,601</u>
LFA Issues With Executive PL Adjustments				
4 Contracted Services				
7 Transfers to State Library				

LFA Issue - The increases are requested in seven separate programs. In most of these programs, substantial increases in state special revenue or federal authority are requested. This raises two concerns:

- a) Although the amount the department would spend in each program is dependent on the amount of revenue it receives for those purposes, the department has the authority to transfer the spending authority to another program in the department where revenues are available and use the appropriation for a purpose different from which it was originally appropriated. Such transfers have not occurred, except in the Environmental Analysis Program (see the "Executive Present Law" section in the Lands Administration Division).
- b) The funds appropriated for the specified purposes are not available for other programs/agencies to use. Since \$6,000 requested in the Opencut Program is funded from the general fund or RITT funds, these funds could be used for other state programs. In the Coal & Uranium Program, funding is split 75 percent federal and 25 percent RITT. Although any reductions would reduce the amount of federal funds, it would also make additional RITT funds available for other state programs. In the Hard Rock Program, \$60,000 of the request is funded with general fund or RITT funds.

The following describes the executive request for contracted services.

Opencut - The executive requests \$21,500 each year for: a) Montana university interns to evaluate bond release requests - \$5,000 each year; b) professional consultants to provide expertise in areas in which staff are lacking - \$1,000 each year; and c) reclamation work funded with fines, fees, and penalties - \$15,500 each year. Although the executive requests the same amount as appropriated in the 1995 biennium, of the \$15,500 appropriated of fines, fees, and penalties each year, only \$1,580 was spent in fiscal 1994. In the past, no funds had been appropriated for university interns or professional consultants.

Table 3
Reclamation Division
Executive Budget Contracted Services

Program	Fiscal 1994 Expenditures	Executive Request			
		Fiscal 1996	Increase	Fiscal 1997	Increase
Administration	\$455	\$1,673	\$1,218	\$1,673	\$1,218
Opencut	1,580	21,500	19,920	21,500	19,920
Coal & Uranium	61,581	75,000	13,419	75,000	13,419
Abandoned Mines	3,336,788	4,250,340	913,552	4,250,340	913,552
Hard Rock-Annual	18,034	60,000	41,966	60,000	41,966
Hard Rock-Biennial	9,946	200,000	190,054		(9,946)
Bond Forfeitures-Biennial	21,628	500,000	478,372		(21,628)
Environmental Analysis-Biennial	885,048	3,000,000	2,114,952		(885,048)
Total	\$4,335,060	\$8,108,513	\$3,773,453	\$4,408,513	\$73,453

Coal & Uranium - The executive requests \$75,000 each year to fund contracts for: a) one-half of the costs of 1.0 FTE air quality and engineering specialist in the Department of Health and Environmental Sciences (DHES) - \$25,000; b) Montana university interns for drilling and prospecting activities during the field season - \$10,000 each year; c) professional consultants for expertise in areas in which staff are lacking - \$10,000 each year; and d) the State Library Natural Resource Information System (NRIS) due to projections of increased usage if the Tongue River railroad is built - \$30,000 each year. In fiscal 1994, \$61,581 was spent of the \$93,000 appropriated.

The department spent \$15,000 for its on-going costs of the NRIS in fiscal 1994. The executive requests an additional \$15,000 each year in present law if activity increases due to the construction of the Tongue River railroad. However, this activity is included in the budget of the State Library as a new proposal. Since the executive also requests \$15,000 each year as a new proposal for the Montana State Library for this purpose, the approval of this new proposal depends on action taken on this item. The Institutions and Cultural Education subcommittee should be informed of any action taken on this item (see a related issue under Number 7).

Abandoned Mines - The department uses consultant and professional services to provide for abandoned mine pre-reclamation work such as surveys, environmental assessments, reclamation cost estimates, and final project reporting. In addition, consultants are used for the actual reclamation work. The executive requests \$4.3 million federal funds each year for consultants to perform reclamation of abandoned mines, an increase of \$0.9 million over the \$3.3 million spent in fiscal 1994.

Hard Rock - The executive requests \$260,000 (\$200,000 as a biennial appropriation) in fiscal 1996 and \$60,000 in fiscal 1997 to contract for: a) one-half of the personal services costs of a 1.0 FTE water quality environmental specialist in DHES and associated indirect costs to coordinate mine permitting and water quality - \$25,000 each year; b) Montana university interns for data analysis and on-the-ground responsibilities in exploration and small miners activities during the field season - \$15,000 each year; c) professional consultants for expertise in areas in which staff are lacking - \$20,000 each year; and d) contingency in the case of an emergency situation in hard rock mining - \$200,000 biennial appropriation of fines, fees, and penalties.

In fiscal 1994, \$9,946 was spent of the \$150,000 biennial appropriation for hard rock mining emergencies. In the 1993 biennium, \$14,868 was spent of the \$100,000 appropriated. Table 4 shows the contingency appropriated each biennium, even though little of the amount was spent.

Bond Forfeitures - The executive requests a \$500,000 biennial appropriation as a contingency to spend funds received when performance bonds are forfeited. Since the request is for a biennial appropriation, it is \$478,372 greater in fiscal 1996 than actual fiscal 1994 expenditures of \$21,628.

Under the Montana Strip and Underground Mine Reclamation Act and the Montana Metal Mine Reclamation Act, permittees are required to post a performance bond. If the permittee does not comply with requirements stated in a department order or if the permittee abandons a mining site, the bond may be forfeited to the department. The department uses these funds for reclamation of the site. In the past, the department has stated that spending authority is necessary in case a large number of bonds were forfeited. Historically, this has not occurred. Table 5 shows the appropriations and expenditures from reclamation bonds during the last five fiscal years.

Table 4 Hard Rock Bureau Contingency Appropriations		
Biennium	Amount Appropriated	Amount Spent
1995 *	\$150,000	\$9,947
1993	100,000	14,868
1991	100,000	25,179
1989	100,000	16,505
* Through September 1994		

Table 5 Department of State Lands Reclamation Bond Appropriations and Expenditures		
Fiscal Year	Appropriated	Expenditures
General Appropriations Act		
1995 (through September)		\$607
1994	\$500,000 *	29,910
1993		39,720
1992	200,000 *	20,399
1991		50,863
1990	100,000 *	46,095
Budget Amendment		
1993		\$140,453
1992	\$463,480 *	874
* Biennial appropriation		

Environmental Analysis - As required by the Montana Environmental Policy Act, EIS fees are collected from industries that propose major mining activities and are required to pay independent contractors retained by the department to prepare EIS's and environmental analyses (EA's). The executive estimates there will be three EIS's (\$500,000 each) and one EA (\$40,000 each) prepared in the 1995 biennium. The executive anticipates that in the 1997 biennium the number will increase to five EIS's and two EA's and requests a \$3.0 million biennial appropriation to fund the anticipated number of documents.

5) Federal Indirect Costs - The Coal and Uranium and Abandoned Mines bureaus receive grants of federal funds. A portion of these grants are allowed to fund indirect costs. The executive estimates that \$162,000 will be available to fund part of Central Management costs and the statewide cost allocation plan (SWCAP), or

a \$37,348 increase each year over the \$124,652 spent in fiscal 1994.

LFA Issue - The budgeted amount is based on allowable expenditures multiplied by a negotiated rate. The estimated 12 percent (higher than the 9.9 expected in fiscal 1996) is used to determine the amount available to fund the Central Management Division. However, based on the amount of indirects used to fund the Central Management Division (\$120,000 each fiscal year) and the department's estimate of \$10,000 each fiscal year for SWCAP, payments for indirect costs would equal \$130,000 each fiscal year. If an indirect rate of 12 percent is anticipated, general fund could be reduced by \$32,000 each year in the Central Management Division.

6) Equipment - The executive equipment request includes 6 replacement 4 X 4 utility vehicles (\$71,400 in fiscal 1996 and \$74,250 in fiscal 1997), 19 computers (\$31,400 in fiscal 1996 and \$28,100 in fiscal 1997), and office equipment (\$1,000 each year).

7) Transfers to State Library - The executive requests \$20,000 of transfer authority each fiscal year (75 percent federal, 25 percent state special revenue) to fund additional core support for the Montana State Library's GIS for use by the Coal and Uranium Bureau. Although the department spent \$9,738 in fiscal 1994, it was not included in the base used to derive present law. Therefore, present law shows an increase of \$20,000 each year rather than the actual increase of \$10,262. The increase is requested due to increases in general software updates and to convert new information to the GIS format.

Since the executive also requests a new proposal for the Montana State Library for this purpose, the approval of this new proposal depends on action taken on this item. The Institutions and Cultural Education subcommittee should be informed of any action taken on this item.

The request is funded 75 percent federal and 25 percent state special revenue, which is the projected funding split in the Coal and Uranium Bureau. However, the actual funding split will depend on the ratio of state and federal permitted acres. Because the permitted acres may vary in the 1997 biennium from the projection, the executive requests language to allow the department to transfer authority between state and federal revenue for this item.

LFA Issue - The Department of State Lands transfers funds to the Montana State Library for its use of NRIS. While the expenditures in the Montana State Library are requested through a new proposal, the executive includes the transfer increase in this program as a present law adjustment. This increase should be considered an addition to the current contribution and requested and justified as a new proposal. Justification of this new proposal for the State Library is to provide the following new services: a) technical support for DSL GIS staff; b) inventory and documentation of DSL GIS databases; c) inventory and documentation of GIS data required by DSL; and d) use of GIS for risk assessments, habitat modeling, landscape analysis, and other analyses related to the Montana Heritage Programs Designated Lands Unsuitable databases.

8) Other - Other increases include increases in building rent and department aircraft rental.

5501 03 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Reclamation Equipment			\$11,000			\$5,000
2 Personal Services Reductions	(1.00)		(85,246)	(1.00)		(85,811)
Totals	(1.00)		(\$74,246)	(1.00)		(\$80,811)

Executive New Proposals

1) Reclamation Equipment - The executive requests an additional \$11,000 in fiscal 1996 and \$5,000 in fiscal 1997 to purchase new equipment. Included are a new computer and software in the Hard Rock Bureau (\$5,000 state special revenue in each fiscal year) and a new seismograph unit in the Coal and Uranium Bureau (\$6,000 in fiscal 1996 funded 75 percent federal and 25 percent state special revenue).

2) Personal Services Reductions - The executive requests a decrease of 1.0 FTE each fiscal year (from 3.0 FTE to 2.0 FTE) in the environmental analysis program for a reduction of \$35,608 state special revenue in fiscal 1996 and \$35,725 in fiscal 1997. In addition, a vacancy savings rate of 68.1 percent was applied for a reduction of \$49,638 in fiscal 1996 and \$50,086 in fiscal 1997. Areas of reduced services were not provided. Funding is state special revenue from environmental impact statement fees.

LFA Issue - This new proposal would leave the program with \$23,289 in fiscal 1996 and \$23,275 in fiscal 1997 of personal services appropriations, enough to fund 0.74 FTE. Even though the executive is significantly reducing the personal services in the program, it justifies an increase in present level expenditures for this program by stating the number of EIS's and EA's are expected to increase in the 1997 biennium. The 1991 legislature approved an executive request for 3.0 FTE to begin the department's environmental analysis program, including 1.0 FTE for department-wide guidance on MEPA and the National Environmental Policy Act, and 2.0 FTE to assist in the preparation of the EIS's. This increase relieved existing technical staff of these duties. The 1993 legislature approved an executive request to increase the program by 1.0 FTE based on justification that additional assistance was needed, but eliminated a position that had been vacant.

DEPARTMENT OF STATE LANDS

Program Summary

LAND ADMINISTRATION PGM

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	31.00	(0.50)	(1.00)	29.50	(0.50)	(1.00)	29.50	29.50
Personal Services	975,763	(1,641)	(65,033)	909,089	2,765	(65,415)	913,113	1,822,202
Operating Expenses	235,702	196,257	0	431,959	199,115	0	434,817	866,776
Equipment	25,889	84,911	0	110,800	69,661	0	95,550	206,350
Capital Outlay	2,989	2,011	0	5,000	2,011	0	5,000	10,000
Total Costs	\$1,240,343	\$281,538	(\$65,033)	\$1,456,848	\$273,552	(\$65,415)	\$1,448,480	\$2,905,328
Fund Sources								
General Fund	950,357	78,524	(65,033)	963,848	70,538	(65,415)	955,480	1,919,328
State/Other Special	289,986	203,014	0	493,000	203,014	0	493,000	986,000
Total Funds	\$1,240,343	\$281,538	(\$65,033)	\$1,456,848	\$273,552	(\$65,415)	\$1,448,480	\$2,905,328

Program Description

The Land Administration Division is responsible for leasing the surface and mineral resources for the benefit of Montana's public schools and other endowed institutions. This program oversees the appraisal and reclassification of all state lands to obtain the greatest revenue for the trust funds commensurate with the preservation of the resource. This program includes the Surface Management Bureau, the Minerals Management Bureau, and the Resource Development Bureau. The Resource Development Bureau is responsible for developing and improving state lands to increase revenue for the trust funds and for restoring and preserving state land resources.

Funding

General fund finances approximately 71 percent of the program. The remainder is funded with state special revenue from the resource development account, fees from the sale of cabin sites, and EIS fees. By statute, the State Land Board can allocate up to 2.5 percent of income generated by state trust lands to the resource development account, except timber sale revenue. Revenue deposited in the account is no longer available for uses supported by the common school and other trusts. State special revenue is also derived from fees charged to applicants wishing to purchase a cabin or home site. The 1993 legislature recommended that the Board of Land Commissioners amend its rules to charge fees commensurate with costs associated with these sales. If fees are not commensurate with costs, general fund pays the remaining cost. As a new activity, the executive requests \$150,000 each fiscal year from fees paid by private entities for preparation of EIS's if required by MEPA in the exchange of trust lands.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1 & 2) Personal Services - The increase is due to the net of reversions, the pay raise authorized by the 1993 legislature, increased benefits, retirement buyouts, termination payouts, and greater work hours. One primary change to personal services is due to 0.50 FTE eliminated in fiscal 1995 by the November 1993 Special Session. The other 0.5 FTE of this land management program specialist, responsible for resource development projects, federal farm programs, lease cancellations, and recreational access issues, was eliminated in fiscal 1994.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Land Management Specialist	(0.50)	(\$17,652)	(0.50)	(\$17,652)
2 Personal Services		16,011		20,417
3 Inflation/Deflation		2,697		4,532
4 Fixed Costs		14,039		13,922
Other Executive Present Law Adjustments				
5 Environmental Impact Statements		\$150,000		\$150,000
6 Land Advisory Council		(14,720)		(14,720)
7 Cabin/Home Site Sales		25,000		25,000
8 Weed Control		10,721		10,721
9 Equipment		84,911		69,661
10 Other		10,531		11,671
Total Executive Present Law Adjustments	(0.50)	\$281,538	(0.50)	\$273,552
LFA Issues With Executive PL Adjustments				
5 Environmental Impact Statements				
8 Weed Control				

- 3) Inflation - Inflation reflects anticipated increases in the cost of gasoline, travel, and utilities.
- 4) Fixed Costs - Fixed costs increase primarily because fixed costs have been allocated to each program, rather than centralized in the Central Management Division. The reallocation results in a net general fund savings.
- 5) Environmental Impact Statements - The executive requests \$150,000 each fiscal year to contract for the preparation of EIS's required by MEPA for exchange of trust lands with land of private entities. Funding is state special revenue received from fees paid by the private entity for EIS development.

LFA Issue - During fiscal 1994, the department transferred \$150,000 of biennial state special authority for EIS development to this program from the \$3.0 million appropriated to the Reclamation Division. As of September 1994, \$98,279 had been spent. Since the executive is requesting the full \$3.0 million of authority in the Reclamation Division (see LFA Issue in the Reclamation Division "Executive Present Law" under #4), in addition to the \$150,000 each fiscal year in this program, the executive requests \$300,000 more than the amount appropriated by the 1993 legislature to the agency for this activity. Since the Land Administration Division has never been appropriated funds for EIS preparation, this increase should be considered an addition to fund a new activity and requested and justified as a new proposal.

OPTION: Eliminate the \$150,000 state special revenue in each fiscal year for preparation of land exchange EIS's since this service was not provided in fiscal 1994.

6) Land Advisory Council - SB 424 (1993 session) created an advisory council to the Board of Land Commissioners to make recommendations for fees and rental rates. The legislation terminates March 1, 1996. Since the department does not anticipate any advisory council activity in fiscal 1996, fiscal 1994 expenditures of \$14,720 were removed from the 1997 biennium request.

7) Cabin/Home Site Sales - The executive requests \$25,000 each year of state special revenue to fund preparation costs of an estimated 25 cabin/home site sales. Section 77-2-318, MCA, provides the Land Board with the statutory authority to sell leased cabin or home sites. Fees up to \$1,000 are collected to cover administrative and other costs necessary to prepare and finalize the sales. Costs in excess of \$1,000 are paid by general fund.

The 1993 legislature appropriated \$25,000 each year of the 1995 biennium to spend fees collected in the sale of cabin/home sites. No fees were collected and no funds were spent in fiscal 1994.

8) Weed Control - The executive requests \$15,000 general fund each year for weed control on vacant state tracts, an increase of \$10,721 from the \$4,279 spent in fiscal 1994.

LFA Issue - The executive states that weed control expenditures in fiscal 1994 were abnormally low due to exceptional rainfall. However, historical weed control expenditures for the program are a three-year average of \$4,930 and a seven-year average of \$6,300.

9) Equipment - The executive equipment request includes 9 replacement vehicles (\$85,800 in fiscal 1996 and \$72,650 in fiscal 1997), 4 all-terrain vehicles (\$9,000 in fiscal 1996 and \$9,000 in fiscal 1997), 9 computers (\$12,500 in fiscal 1996 and \$10,400 in fiscal 1997), and office equipment (\$3,500 in fiscal 1996 and \$3,500). The equipment request is substantially greater than recent levels due to replacement of existing vehicles for administrative and land office staff.

10) Other - Other increases include increased expenditures for building rent and capital outlay for improvements and assessments on trust lands at the Continental Divide Subdivision in Billings.

5501 04 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions	(1.00)	(\$65,033)	(\$65,033)	(1.00)	(\$65,415)	(\$65,415)
Totals	(1.00)	(\$65,033)	(\$65,033)	(1.00)	(\$65,415)	(\$65,415)

Executive New Proposals

1) Personal Services Reductions - The executive requests the elimination of 1.00 FTE petroleum engineer each fiscal year (from 30.50 FTE to 29.50 FTE) for a general fund reduction of \$35,608 in fiscal 1996 and \$35,725 in fiscal 1997. In addition, a vacancy savings rate of 3.14 percent was applied for a \$29,425 general fund savings in fiscal 1996 and \$29,690 in fiscal 1997. Areas of reduced services were not provided. The petroleum engineer monitors and evaluates oil and gas wells to ensure the state (public land trusts) is receiving its fair share of royalties.

5501 25 00000								
DEPARTMENT OF STATE LANDS				FORESTRY				
Program Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	242.58	(3.95)	4.00	242.63	(3.95)	4.00	242.63	242.63
Personal Services	6,710,240	657,289	(87,719)	7,279,810	685,044	(89,317)	7,305,967	14,585,777
Operating Expenses	2,255,185	1,074,217	179,875	3,509,277	1,043,193	179,875	3,478,253	6,987,530
Equipment	585,187	288,943	93,000	967,130	96,943	0	682,130	1,649,260
Total Costs	\$9,550,612	\$2,020,449	\$185,156	\$11,756,217	\$1,825,180	\$90,558	\$11,466,350	\$23,222,567
Fund Sources								
General Fund	5,893,016	692,683	(224,024)	6,361,675	659,822	(287,567)	6,265,271	12,626,946
State/Other Special	2,865,433	1,028,741	271,805	4,165,979	1,006,333	240,473	4,112,239	8,278,218
Federal Special	792,163	299,025	137,375	1,228,563	159,025	137,652	1,088,840	2,317,403
Total Funds	\$9,550,612	\$2,020,449	\$185,156	\$11,756,217	\$1,825,180	\$90,558	\$11,466,350	\$23,222,567

Program Description

The Forestry Division manages state-owned forest lands held in trust for the: 1) support of education; 2) protection of the state's forest and non-forest watershed lands from wildfire; and 3) provision of technical forestry assistance to private landowners, businesses, and communities. The program is administered by the Forestry Division in Missoula, which provides six main services: fire management of state and privately-owned forest and watershed lands; management of state forest land; brush disposal on state forest land following Forest Management Program activities; timber stand improvement of the composition, condition, or growth of trees on state forest lands; tree nursery for conservation plantings on state and private lands for shelterbelts, windbreaks, wildlife habitat improvement, reclamation, and reforestation; and administration of the fire hazard reduction and management (slash) law to ensure that the fire hazard created by logging and other forest management operations on private forest land is adequately reduced or that additional protection is provided until the fire hazard is reduced to an acceptable level.

Funding

The Forestry Division contains seven programs, which are funded with general fund, state special revenue, and federal funds. Table 6 details the executive funding for each of the forestry programs. The general fund increase in the Executive Budget is due primarily to the net of: 1) a higher expenditure requested for pre-fire suppression activity (funded 2/3 general fund, 1/3 fire landowner assessments); 2) greater forest management activity, funded primarily with general fund; 3) an increase in the slash program due to a one-time replacement of general fund support in the 1995 biennium from the slash account fund balance; and 4) a reduced budget for other program activities that are funded entirely with general fund.

State special revenue, generated from the sale of timber on state land, is used to finance the forest improvement program. HB 393 (1993 session) combined the brush disposal and timber stand improvement fees into one fee for forest improvement. Previously, the price at which the state sold timber included a fee of \$11 per thousand board feet for the brush program and \$22 per thousand for the timber stands improvement program. Section 77-5-204, MCA, now states that the Land Board may require a timber purchaser to pay a timber improvement fee. The Land Board approves the proposed fee, which can vary, when timber sales are approved based on the state's expected costs of slash disposal, road access and maintenance, and reforestation. Based on increased fees and the anticipated volume of sales, the executive estimates that the increased fees will generate 2.4 times more revenue than the \$703,512 collected in fiscal 1994. Any fees collected reduce the amount of interest and income from the public school and other trusts which would have been distributed to schools and other trust beneficiaries.

Table 6
Forestry Division
Executive Funding

Fiscal Year/Program	General Fund	State Special	Landowner Assessment	Federal	Total Funds
Fiscal 1996					
Fire	\$3,128,326		\$1,713,592	\$424,202	\$5,266,120
Forest Management	2,104,904			11,214	2,116,118
Forest Improvement		\$1,650,504		28,256	1,678,760
Nursery		230,078			230,078
Private Slash Removal	166,911	300,000			466,911
Other Services	848,342			100,000	948,342
Service Forestry	337,216			527,516	864,732
New Proposals	(224,024)	313,094	(41,289)	137,375	185,156
Total Fiscal 1996	\$6,361,675	\$2,493,676	\$1,672,303	\$1,228,563	\$11,756,217
Fiscal 1997					
Fire	\$3,076,794		\$1,686,821	\$329,202	\$5,092,817
Forest Management	2,114,482			11,214	2,125,696
Forest Improvement		\$1,654,104		28,256	1,682,360
Nursery		230,841			230,841
Private Slash Removal	168,993	300,000			468,993
Other Services	854,244			100,000	954,244
Service Forestry	338,325			482,516	820,841
New Proposals	(287,567)	313,572	(73,099)	137,652	90,558
Total Fiscal 1997	\$6,265,271	\$2,498,517	\$1,613,722	\$1,088,840	\$11,466,350

Landowner assessments are taxes paid by private forest landowners for wildfire protection. The department is required by statute to collect up to one-third of the state's fire protection appropriation from private landowners (section 76-13-207, MCA). At the level of expenditures requested to be funded from this source in the present law Executive Budget, landowner assessments would increase over the level set to fund the fiscal 1995 appropriation (see the "Other LFA Issues with Present Law" section).

Other state special revenues include the sale of nursery stock and slash removal assessments on private landowners who cut timber. Fees of \$25 for each slash hazard reduction agreement and \$0.60 per thousand board feet sold are collected for use by the department. The fund balance from this account was used to reduce general fund in the 1995 biennium and is not available to continue the reduction in the 1997 biennium.

Federal funds finance a portion of the Fire, Other Services, and Service Forestry programs. Federal funds are also budgeted to spend \$100,000 each year of federal fire reimbursements. These funds are reimbursements received from federal agencies for general fund the department spent in assisting them in fire suppression. Since these funds would have been deposited in the general fund, this request reduces the amount of general fund deposits (see the "Other LFA Issues" section).

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services	(3.95)	\$547,647	(3.95)	\$575,287
2 Inflation/Deflation		13,361		25,871
3 Fixed Costs		94,901		94,017
Other Executive Present Law Adjustments				
4 Executive Elimination of 1.00 Base FTE		\$31,371		\$31,472
5 Transfer of Helicopter Mod		29,327		29,341
6 Forest Improvement Contracted Services		829,040		829,040
7 Slash Contracted Personal Services		29,000		29,000
8 Service Forestry Contracted Services		57,214		37,214
9 Federal Fire Reimbursements		58,968		58,968
10 Equipment (zero based)		288,943		96,943
11 Other		40,677		18,027
Total Executive Present Law Adjustments	(3.95)	\$2,020,449	(3.95)	\$1,825,180
LFA Issues With Executive PL Adjustments				
6 Forest Improvement Contracted Services				
9 Federal Fire Reimbursements				
Other LFA Present Law Issues				
* Landowner Assessment Increase				

1) Other Personal Services - The increase is due to the net of reversions, the pay raise authorized by the 1993 legislature, increased benefits, retirement buyouts, termination payouts, and greater work hours. In fiscal 1994, \$1.8 million of unspent personal services was partially offset by retirement and other termination payouts and other expenses of \$1.3 million.

- 2) Inflation - Inflation reflects anticipated increases in the cost of gasoline and utilities.
- 3) Fixed Costs - Fixed costs increase primarily because fixed costs have been allocated to each program, rather than centralized in the Central Management Division. The reallocation results in a net general fund savings.
- 4) Executive Elimination of 1.0 Base FTE - The Executive Budget eliminates funding for 1.0 FTE federally-funded forestry program specialist that was approved and budgeted by the 1993 legislature. The position was vacant in fiscal 1994.
- 5) Transfer of Helicopter Modification - The 1993 legislature approved a budget modification to retrofit two additional helicopters on loan from the federal excess property program in fiscal 1994, and to continue their operation in fiscal 1995. The legislature specified that fiscal 1994 expenditures were not to be included in the base and recognized that the 1995 appropriated amount (0.85 FTE, \$31,445 general fund, \$9,224 state special revenue, and \$58,560 proprietary funds) was the correct amount to be budgeted in the 1997 biennium. Of this amount, the executive transfers 0.55 FTE from the Central Management Division for an increase in personal services of \$10,577 in fiscal 1996 and \$10,591 in fiscal 1997. In addition, \$18,750 each year of operating expenses was transferred. The funds will be used for additional pre-fire suppression activity.
- 6) Forest Improvement Contracted Services - The executive requests \$927,505 each year for contracted services, an \$829,040 increase over the \$98,465 spent in fiscal 1994. The executive states the increased funds will be used for: a) new contracts of \$31,500 for road right-of-way surveys, seed viability testing, and nutrient and pathological testing; and b) \$797,540 for road maintenance, tree thinning, and reforestation to improve forest health and benefit the land trusts.

LFA Issue - The executive requests to spend increased revenue as the result of new authority to increase forest improvement fees. In the past, the fee charged to fund forest improvement activities was a set fee of \$33 per thousand board feet of state timber sold. However, HB 393 (1993 session) now allows the Land Board to charge timber purchasers a variable fee for each sale based on the department's estimate of forest improvement costs. As a result, the executive estimates annual fee revenue of \$1,676,900, or 2.4 times the \$703,512 collected in fiscal 1994. To the extent that the fee reduces the price received for state timber, revenue collected from this fee reduces the amount of revenue received from the sale of state-owned timber, which is considered distributable trust income. Therefore, trust beneficiaries of the public school and other land trusts receive less revenue. The legislature may wish to determine if the increased revenue should be used for forest improvement activity or distributed to trust beneficiaries.

- 7) Slash Contracted Personal Services - The executive requests \$29,000 general fund each year for contracted services. The funds would be used to hire assistance to fulfill the department's statutory obligations in enforcing slash hazard reduction agreements. No expenditures for contracted services were made in fiscal 1994.

The department states that because of the high timber prices and increased harvesting on private land, slash workload has increased 1.5 to 2 times. To partially meet this increased workload, the department internally reallocated an additional 1.56 FTE and personal services to this program in fiscal 1994. Even though this type of work is currently performed by staff, the executive requests funding through contracted services. This program has not contracted for personnel assistance in the past.

- 8) Service Forestry Contracted Services - The executive requests \$248,000 in fiscal 1996 and \$228,000 in fiscal 1997, an increase of \$57,214 in fiscal 1996 and \$37,214 in fiscal 1997, to contract for: a) forest stewardship program - \$170,000 federal funds in each fiscal year; b) forestry cost-share field work and community forestry grants - \$12,000 federal funds in each fiscal year; c) community forestry program training, marketing, and printing - \$20,000 federal funds in fiscal 1996; d) printing of forest practices brochure - \$2,000 general fund each fiscal year; and e) forest practices and streamside management zone on-site consultations and inspections as a result of a workload increase -

\$44,000 general fund each fiscal year. The executive does not request an additional 1.0 FTE for increased workload in streamside management zone inspections, but rather contracts for this service.

9) Federal Fire Reimbursements - The executive present law requests \$100,000 federal funds each year, or \$58,968 more than was spent in fiscal 1994, to spend federal fire reimbursements for program operations. This federal fire reimbursement is authority for a portion of federal funds received as reimbursement for general fund the department spends in assisting federal agencies in fighting fires on lands under the jurisdiction of the federal government. Department personnel state that additional costs are incurred when administrators spend time on fire-related activities and additional assistance is hired to perform normal work duties. Although the department has received this authority since fiscal 1990, the November 1993 Special Session reduced the appropriation from \$100,000 to \$93,750 for fiscal 1994 in order to increase general fund deposits. The legislature did not reduce the \$100,000 appropriation for fiscal 1995. (The January 1992 Special Session also reduced the \$100,000 appropriation to \$40,000 for fiscal years 1992 and 1993 to increase general fund deposits.)

LFA Issue 1 - As stated earlier, the executive requests \$58,968 more authority in each year than was spent in fiscal 1994. If these funds were not used for this purpose, they would be deposited to the general fund to offset cost of fire suppression funded through the general fund supplemental. The legislature may wish to reduce the requested appropriation to the fiscal 1994 level and increase deposits to the general fund.

See "Other LFA Issues" at the end of this section for a related issue concerning the funding of this appropriation.

LFA Issue 2 - Since a portion of budgeted personnel time is spent on administrative wildfire duties during the fire season, normal work duties necessary to harvest timber were not being completed in a timely manner. The original purpose of the appropriation, when first initiated in fiscal 1990, was to allow the department to meet expected timber harvest goals. The executive requests that these funds be used for contracted services to: a) conduct risk rating assessments on urban-wildfire interface; b) provide training in communications, time management, and leadership; c) accomplish forestry and fire pre-suppression work; and d) provide support to other agencies for direct fire suppression activities. The purposes of the funds, as requested by the executive, is a deviation from previous years when the funds were mostly used to hire temporary FTE as replacements for budgeted staff who work on wildfire matters.

10) Equipment - The executive requests \$874,130 in fiscal 1996 and \$682,130 in fiscal 1997 for equipment, including: a) \$95,000 for a diesel truck tractor replacement in fiscal 1996 and \$518,150 each year of miscellaneous pre-fire suppression equipment funded 2/3 general fund and 1/3 landowner assessments; b) \$70,000 in fiscal 1996 and \$69,500 general fund for forest management computer software; c) \$23,000 of state special revenue each year for agricultural and landscaping equipment in the forest improvement program; d) \$16,000 state special revenue each year for miscellaneous equipment in the nursery program; e) \$20,380 general fund each year for computers in the slash program; f) \$6,600 general fund in fiscal 1996 and \$8,500 in fiscal 1997 for computers in the other services program; and g) \$28,000 general fund in fiscal 1997 and \$26,600 in fiscal 1997 to replace 4 vehicles in the service forestry program. The average yearly 1997 biennium request is slightly less than the 1995 biennium yearly average appropriation of \$780,809.

11) Other - Other increases include increases for pre-fire suppression contracted services, maintenance, gasoline, and postage.

Other LFA Issues with PL Base

Landowner Assessment Increase - Landowner assessments are taxes paid by private forest landowners for wildfire protection. The 1991 legislature (SB 165) increased the tax limits to not more than \$30 for each landowner, plus not more than an additional \$0.20 per acre in excess of 20 acres. Currently, the department has set the rate at a \$20 minimum assessment plus \$0.17 per acre over 20 acres. The department is required by statute to collect up to one-

third of the state's fire protection appropriation from private landowners (section 76-13-207, MCA). Since the amount of expenditures requested to be funded from this source in the present law Executive Budget is greater than the amount appropriated by the 1993 legislature for fiscal 1995 (\$1,564,347), landowner assessments would increase by \$149,245 in fiscal 1996 and \$122,472 in fiscal 1997 over the level set to fund the fiscal 1995 appropriation, or a biennial increase of approximately 8.7 percent.

Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Community Forestry FTE	3.00	\$0	\$87,375	3.00	\$0	\$87,652
2 Forest Products Sales Funding	6.00	0	313,094	6.00	0	313,572
3 Aviation Support Equipment	0.00	61,380	93,000	0.00	0	0
4 Personal Services Reductions	(5.00)	(285,404)	(358,313)	(5.00)	(287,567)	(360,666)
5 BA1098 Inter-Agency Fire Op.	0.00	0	50,000	0.00	0	50,000
Totals	4.00	(\$224,024)	\$185,156	4.00	(\$287,567)	\$90,558

Executive New Proposals

1) Community Forestry FTE - The executive requests 3.0 FTE and \$87,375 federal funds in fiscal 1996 and \$87,652 in fiscal 1997 to restore the urban forestry assistance program to the level authorized by the 1993 legislature. Although the 3.0 FTE currently exist and have been on-going for two biennia, personal services appropriations to fund them have never been made. Although this is an increase in budgeted FTE, there is no increase over expenditures since operations have been reduced.

During the 1991 legislative session, the legislature approved a budget modification for the 1993 biennium of \$313,523 federal funds and 1.75 FTE to implement President Bush's "America the Beautiful" proposal in Montana by providing forestry assistance to communities. Although the department mentioned that additional FTE would probably be needed, information was not available to accurately include them in the modification.

For fiscal years 1992 through 1994, operating authority was transferred to personal services to fund the 3.0 community foresters. Therefore, these are current, on-going FTE even though they are requested in a new proposal.

2) Forest Products Sales Funding - The executive requests an additional 6.0 FTE and \$313,094 state special revenue in fiscal 1996, and \$313,572 in fiscal 1997 to continue increasing sale of state-owned timber from trust lands. The request would continue funding approved for the 1995 biennium to shorten the time to prepare, sell, and administer timber sales on state lands. The department would contract with private forestry consultants for preparation activities such as timber marking and cruising. The new state personnel would consist of four foresters, one fish and wildlife biologist, and one watershed specialist. The funding for this new proposal is derived from timber sale revenue that would otherwise be distributed to the beneficiaries of the trusts. The largest diversion of this money will occur in the public school trust where, under current law, 95 percent of timber sale revenue flows to the school equalization aid account (SEA) and 5 percent is returned to the trust.

The 1993 legislature approved a similar budget modification for \$312,000 each year for fiscal years 1994 and 1995 and 4.50 FTE in fiscal 1994 and 6.00 FTE in fiscal 1995 to implement HB 652. The legislation provided funding for increased timber sale preparation and documentation by diverting \$312,000 each year of timber sale revenue from state trust lands to the department. Since this legislation terminates at the end of fiscal 1995, funding is not

continued in the executive 1997 biennium present law budget. The executive is proposing legislation to make this diversion permanent and includes the funding as a new proposal in the general appropriations act contingent on passage of the legislation.

Because of the time delay between timber sale preparation and receipt of revenue, the fiscal note that accompanied HB 652 estimated that the amount of timber under contract to sell would increase by 5 million board feet beginning in fiscal 1995, with a resulting increase in revenue of about \$850,000 being realized in fiscal 1996 and beyond. Therefore, the effect of the \$298,740 of timber sale revenue spent in fiscal 1994 as a result of HB 652 to increase timber sale revenue will not be apparent until fiscal 1995. The executive estimates that at current stumpage prices, \$1.5 million of additional revenue would be generated in the 1997 biennium. Because of the time lag between expenditures of the funds and receipt of timber sale revenue, additional revenue is not expected for two years. Additional revenue would be distributed to the beneficiaries of the public school and other land trusts.

Prior to the January 1992 Special Session, timber was considered part of the public school trust corpus and any revenue derived from the sale of timber was returned to the trust. In that special session, HB 3 temporarily diverted timber sale revenue from the public school trust to the SEA through the end of fiscal 1993. HB 667, passed in the 1993 session, made the diversion permanent.

Diversion of trust interest and income is not without precedence. Section 77-1-607, MCA, diverts up to 2.5 percent of trust interest and income (excluding timber sale revenue) to the department to increase revenue by improving and developing state lands. In its present law budget, the executive expects to generate an additional \$973,388 through increased forest improvement fees from buyers of state timber (see "Executive Present Law, LFA Issue" #6 above). These fees reduce the sale price of timber, thus reducing revenue to the land trusts.

3) Aviation Support Equipment - The executive requests an additional \$93,000 (\$61,380 general fund, \$31,620 state special revenue) for upgrading three helicopters to meet safety standards and to improve efficiency of suppressing wildfires. Revised safety standards require "bubble doors" be installed on the pilot's sides for a total cost of \$27,000. In addition, the three federal surplus property helicopters are not equipped with the type of skids necessary to land at remote and rough sites. According to department staff, fire suppression activity this last fire season was hindered because of this limited capability. The request includes a total of \$66,000 to purchase the type of skids necessary to improve the effectiveness of the helicopters.

The state special revenue is from assessments levied on private forest owners for fire protection services. Since the department is required by statute to collect up to one-third on the state's portion of the fire protection appropriation from private landowners (section 76-13-207, MCA), any increase in the amount appropriated from the previous year results in an increase in the assessment levied.

4) Personal Services Reductions - The executive requests a reduction of 5.00 FTE (from 238.63 FTE to 233.63 FTE) and \$134,347 in fiscal 1996 and \$134,679 in fiscal 1997. Personnel reductions include 3.15 FTE for pre-fire suppression activity, 0.60 FTE in forest management, 0.20 in slash, and 1.05 in service forestry. In addition, a vacancy savings rate of 3.1 percent was applied to the Forestry Division for a reduction of \$223,966 in fiscal 1996 and \$225,987 in fiscal 1997. Funding for the decrease is \$285,404 general fund and \$72,909 state special revenue in fiscal 1996, and \$287,567 general fund and \$73,099 state special revenue in fiscal 1997. The reduction of state special revenue results from reduction of personnel in the pre-fire suppression program. Areas of reduced services were not provided.

LFA Issue - Even though these reductions are being proposed, the executive includes: 1) present law increases to contract for pre-fire suppression activity (see "Executive Present Law" adjustment #9, "LFA Issue #2" above); 2) present law increases (to contract for 1.00 FTE) in the slash program because of workload increases; and 3) \$44,000 in general fund each year to contract for streamside management zone inspections in the service forestry program due to workload increases (see "Executive Present Law" adjustment #8 above).

5) BA 1098 Inter-Agency Fire Operations - The executive requests an additional \$50,000 each fiscal year of federal funds to implement a Legislative Auditor recommendation. Through a cooperative agreement, the USFS agrees to pay a portion of Central Land Office dispatch center costs. The state incurs the costs and is reimbursed by the federal government. In the past, when the federal reimbursement was received, the record of expenditures was eliminated from the state's accounting records. Consequently, the expenditures are not recorded on state accounting records in the base year and are not part of present law. To properly reflect present law, these expenditures should be budgeted in the 1997 biennium.

LFA Issue - The amount requested by the executive is not commensurate with prior expenditures. The amount of expenses in fiscal 1994 paid by the USFS (and, therefore, not reflected in the base year) was \$23,350, rather than the \$50,000 requested.

Other LFA Issues

Federal Fire Reimbursement - The executive requests \$100,000 federal funds each year for federal fire reimbursements. Federal fire reimbursement is authority for a portion of federal funds received as reimbursement for general fund the department spends in assisting federal agencies in fighting fires on lands under the jurisdiction of the federal government. In the past, the funds have been appropriated with a federal appropriation with the following stipulation: "Federal fire reimbursement funds are those funds received for expenses incurred from loaning department personnel to federal agencies to assist in fire suppression activities. Only those federal funds received as reimbursement of expenses credited against the department's state forestry operational budget are considered federal fire reimbursement funds. All other federal funds received must be deposited into the general fund. The department shall report federal fire reimbursement expenditures on state accounting records, and the records must be separate from current level operations."

Although expenditures from this appropriation reduce the amount of general fund deposits, the funding source for the appropriation has always been federal funds. Because the current method of funding the appropriation distorts the true source of funding, a more appropriate funding source for this activity may be general fund.

OPTION 1: If the legislature wishes to appropriate funds for this purpose, the appropriation should be funded with general fund rather than federal funds. General fund revenue (from federal fire reimbursements) would increase by the amount of the general fund appropriation.

OPTION 2: Maintain the federal appropriation and attach the stipulation language.

5603 00 00000								
DEPARTMENT OF LIVESTOCK								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	123.71	(3.00)	120.71	123.71	(3.00)	120.71	123.71	120.71
Personal Services	4,021,184	(194,771)	3,826,413	4,038,173	(196,130)	3,842,043	7,828,200	7,668,456
Operating Expenses	1,505,902	126,050	1,631,952	1,508,932	60,000	1,568,932	2,767,504	3,200,884
Equipment	267,349	15,920	283,269	261,882	0	261,882	453,036	545,151
Capital Outlay	16,376	0	16,376	16,376	0	16,376	36,627	32,752
Benefits and Claims	4,500	0	4,500	4,500	0	4,500	8,400	9,000
Total Costs	\$5,815,311	(\$52,801)	\$5,762,510	\$5,829,863	(\$136,130)	\$5,693,733	\$11,093,767	\$11,456,243
Fund Sources								
General Fund	485,004	(28,607)	456,397	487,673	(28,616)	459,057	765,181	915,454
State/Other Special	4,984,339	1,806	4,986,145	4,984,633	(81,514)	4,903,119	9,648,384	9,889,264
Federal Special	345,968	(26,000)	319,968	357,557	(26,000)	331,557	680,202	651,525
Total Funds	\$5,815,311	(\$52,801)	\$5,762,510	\$5,829,863	(\$136,130)	\$5,693,733	\$11,093,767	\$11,456,243

Agency Description

The Department of Livestock is responsible for controlling and eradicating animal diseases, preventing the transmission of animal disease to humans, and protecting the livestock industry from theft and predatory animals. The department, which is provided for in section 2-15-3101, MCA, consists of the Board of Livestock and its appointed executive secretary; the Livestock Crimestopper's Commission; and the Beef Research and Marketing Committee. The department is organized into five divisions: Animal Health, Centralized Services, Brands-Enforcement, Diagnostic Laboratory, and Meat, Milk, and Egg Inspection. The Board of Livestock, which is the statutory head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.

5603 00 00000								
DEPARTMENT OF LIVESTOCK								
Agency Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	122.71	1.00	(3.00)	120.71	1.00	(3.00)	120.71	120.71
Personal Services	3,916,614	104,570	(194,771)	3,826,413	121,559	(196,130)	3,842,043	7,668,456
Operating Expenses	1,219,650	286,252	126,050	1,631,952	289,282	60,000	1,568,932	3,200,884
Equipment	227,508	39,841	15,920	283,269	34,374	0	261,882	545,151
Capital Outlay	20,252	(3,876)	0	16,376	(3,876)	0	16,376	32,752
Benefits and Claims	3,900	600	0	4,500	600	0	4,500	9,000
Total Costs	\$5,387,924	\$427,387	(\$52,801)	\$5,762,510	\$441,939	(\$136,130)	\$5,693,733	\$11,456,243
Fund Sources								
General Fund	357,963	127,041	(28,607)	456,397	129,710	(28,616)	459,057	915,454
State/Other Special	4,716,464	267,875	1,806	4,986,145	268,169	(81,514)	4,903,119	9,889,264
Federal Special	313,497	32,471	(26,000)	319,968	44,060	(26,000)	331,557	651,525
Total Funds	\$5,387,924	\$427,387	(\$52,801)	\$5,762,510	\$441,939	(\$136,130)	\$5,693,733	\$11,456,243

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions	(1.00)	(\$2,607)	(\$20,212)	(1.00)	(\$2,616)	(\$20,279)
2 Personal Services Reductions	(1.00)		(85,822)	(1.00)		(86,983)
3 Inspection/Control Equipment			15,920			
4 Aircraft Maintenance			126,050			60,000
5 Personal Services Reductions			(36,737)			(36,868)
6 Personal Services Reductions	(1.00)	(26,000)	(52,000)	(1.00)	(26,000)	(52,000)
Totals	(3.00)	(\$28,607)	(\$52,801)	(3.00)	(\$28,616)	(\$136,130)

DEPARTMENT OF LIVESTOCK

Program Summary

CENTRALIZED SERVICES PROGRAM

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	392,965	(6,015)	0	386,950	(4,243)	0	388,722	775,672
Operating Expenses	180,500	66,867	0	247,367	46,503	0	227,003	474,370
Equipment	27,255	12,305	0	39,560	4,955	0	32,210	71,770
Total Costs	\$600,720	\$73,157	\$0	\$673,877	\$47,215	\$0	\$647,935	\$1,321,812
Fund Sources								
General Fund	9,472	48,091	0	57,563	47,580	0	57,052	114,615
State/Other Special	556,748	37,566	0	594,314	1,068	0	557,816	1,152,130
Federal Special	34,500	(12,500)	0	22,000	(1,433)	0	33,067	55,067
Total Funds	\$600,720	\$73,157	\$0	\$673,877	\$47,215	\$0	\$647,935	\$1,321,812

Program Description

The Centralized Services program is responsible for the accounting, budgeting, payroll, personnel, legal services, purchasing, administrative, data processing, and general services functions of the department. The Crimestopper's Commission is administratively attached to the Board of Livestock through this division. Agency legal services are provided to the department by the staff attorney in this division.

Funding

Historically, a percentage of general fund has funded a portion of this program based on the amount of general fund in other programs. The Executive Budget continues this method, even though a portion of the general fund support was permanently replaced with state special revenue in the November 1993 Special Session (see Other LFA Issues below). State special revenue funding is split evenly between the inspection and control account and the animal health account. The Meat and Poultry Inspection Program's accounting costs are financed with federal funds.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The decrease is due to the net of reversions, the pay raise authorized by the 1993 legislature, increased benefits, retirement buyouts, termination payouts, and greater work hours.
- 2) Inflation & 3) Fixed Costs - The increase in fixed costs are primarily due to ISD computer network charges that are now budgeted exclusively in this program. The difference in fixed costs between fiscal years is primarily due to the biennial audit costs in fiscal 1996.
- 4) Maintenance Contracts - The executive requests additional funds for maintenance costs previously funded in the Disease Control, Milk and Egg, Inspection and Control, and Predator Control programs. Since these programs are predominantly funded with non-general funds, budgeting these costs in Centralized Services increases general fund by approximately \$1,000 each year and decreases other funds by like amounts. In addition, some personal computers previously covered by a 3-year manufacturer warranty now require maintenance contracts.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$6,015)		(\$4,243)
2 Inflation/Deflation		1,031		1,580
3 Fixed Costs		62,393		41,480
<i>Other Executive Present Law Adjustments</i>				
4 Maintenance Contracts		\$3,443		\$3,443
5 Equipment		12,305		4,955
<i>Total Executive Present Law Adjustments</i>	0.00	\$73,157	0.00	\$47,215

5) Equipment - Requested equipment purchases include \$2,700 each year for office equipment, plus \$36,860 in fiscal 1996 and \$29,510 in fiscal 1997 for computers and software. The three-year average for equipment purchases is \$9,900. All computer equipment for the department is purchased in this program.

Other LFA Issues

Program Funding - In the November 1993 Special Session, the legislature approved an executive request to permanently reduce general fund by \$45,600 (to \$10,827) in fiscal 1994 and \$45,108 (to \$4,571) in fiscal 1995 and increase state special revenue by like amounts. The Executive Budget does not continue this funding switch. As a result, if the legislature wishes to continue the funding switch in the 1997 biennium and beyond, general fund would need to be decreased and state special revenue increased by like amounts. The state special revenue is derived from livestock taxes, livestock licenses and permits, livestock inspection and testing fees, and revenue from other sources.

OPTION: Decrease general fund by \$45,600 in fiscal 1996 and \$45,108 in fiscal 1997 and increase state special revenue by like amounts.

DEPARTMENT OF LIVESTOCK**DIAGNOSTIC LABORATORY PROGRAM**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	18.00	1.00	(1.00)	18.00	1.00	(1.00)	18.00	18.00
Personal Services	652,031	9,892	(20,212)	641,711	12,370	(20,279)	644,122	1,285,833
Operating Expenses	259,595	73,401	0	332,996	88,023	0	347,618	680,614
Equipment	58,477	11,408	0	69,885	7,168	0	65,645	135,530
Capital Outlay	20,252	(3,876)	0	16,376	(3,876)	0	16,376	32,752
Total Costs	\$990,355	\$90,825	(\$20,212)	\$1,060,968	\$103,685	(\$20,279)	\$1,073,761	\$2,134,729
Fund Sources								
General Fund	99,547	39,926	(2,607)	136,866	41,584	(2,616)	138,515	275,381
State/Other Special	890,808	50,899	(17,605)	924,102	62,101	(17,663)	935,246	1,859,348
Total Funds	\$990,355	\$90,825	(\$20,212)	\$1,060,968	\$103,685	(\$20,279)	\$1,073,761	\$2,134,729

Program Description

The Diagnostic Laboratory Program provides livestock laboratory diagnostic support for the Disease Control Program, Milk and Egg Program, and livestock producers. Testing is done for zoonotic diseases and on dairy products to protect the health of Montana's citizens. Laboratory testing services are done upon request to assist animal owners, veterinarians, and Department of Fish, Wildlife, and Parks' personnel in protecting the health of Montana's companion animals and wildlife.

Funding

The executive funds this program with general fund at the percentage used in fiscal 1994 (see Other LFA Issues). State special revenue consists of funding from the animal health account, which receives a portion of the total per capita tax revenue in addition to inspection/testing fees and other income.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1 & 2) Personal Services - The phase-in of a program expansion approved by the 1993 legislature adds a grade 19 FTE beginning in fiscal 1995. Other personal services decrease due to the net of reversions, the pay raise authorized by the 1993 legislature, increased benefits, retirement buyouts, termination payouts, and greater work hours. Due to recruitment and retention problems for a veterinarian position, the department was granted a pay exception for the position, which increased personal services \$6,509 in fiscal 1996 and \$6,534 in fiscal 1997 over the amount budgeted in fiscal 1994.

3) Inflation & 4) Fixed Costs - Inflation on operating expenses totals \$21,744 in fiscal 1996 and \$34,775 in fiscal 1997 primarily due to anticipated cost increases in laboratory testing and supplies, which add \$18,476 in fiscal 1996 and \$30,212 in fiscal 1997. Fixed costs decrease primarily because ISD network fees and other fixed costs are now budgeted entirely in the Centralized Services Program.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Phase-In of Previous Program Expansion	1.00	\$48,206	1.00	\$48,381
2 Other Personal Services		(38,314)		(36,011)
3 Inflation/Deflation		21,744		34,775
4 Fixed Costs		(5,030)		(5,030)
<i>Other Executive Present Law Adjustments</i>				
5 Laboratory Retrofit		\$16,719		\$18,310
6 Laboratory Supplies		34,975		34,975
7 Equipment		11,408		7,168
8 Other		1,117		1,117
<i>Total Executive Present Law Adjustments</i>	<u>1.00</u>	<u>\$90,825</u>	<u>1.00</u>	<u>\$103,685</u>
<i>LFA Issues With Executive PL Adjustments</i>				
7 Equipment		(\$13,800)		

5) Laboratory Retrofit - In HB 5, the 1993 legislature authorized the remodeling and extension of the Diagnostic Laboratory in Bozeman. Although construction has not yet begun (fall 1994), it is expected to be completed by the 1997 biennium. Completion will add 3,355 additional square feet to the building. The executive estimates that this additional area will add 31 percent to the utility bill and recharges paid to Montana State University for shared expenses. In addition to the added area, recharges are expected to increase 9 percent per year which is the increase experienced in fiscal 1995.

6) Laboratory Supplies - The executive requests \$140,701 for laboratory supplies, an increase of \$34,975 over the \$105,726 spent in fiscal 1994. Department staff state that the increase is due to changes in federal regulations for: a) testing cattle sera for anaplasmosis and bluetongue; b) standardization of Brucella ovis testing in sheep; and c) interstate shipment of milk.

Testing for anaplasmosis, bluetongue, and Brucella ovis are currently provided; however, more accurate methods are necessary to comply with federal and international regulations. In addition to the current testing in milk for penicillin, the department anticipates that antibiotic testing will occur for aminoglyside, novobiocin, sulfonamide, and tetracycline. Department staff state that if these additional tests are not provided, there would be a total loss in the international export market for Montana ranch animals plus a loss in several states, and a severe reduction in the market for dairy products.

7) Equipment - Requested equipment purchases include \$69,885 in fiscal 1996 and \$65,645 in fiscal 1997 for laboratory equipment. The three-year average for equipment purchases is \$23,263. Even though fiscal 1994 equipment expenditures were the highest in the history of the program (due to purchase of major laboratory equipment), the executive request exceeds this level by 15 percent.

LFA Issue - The executive equipment request includes \$13,800 in fiscal 1996 for a bio- mic sensitivity reader and a immunohistochemistry center. Because this equipment is new and not replacement, it should have been included as a new proposal.

OPTION: Redefine and consider \$13,800 in fiscal 1996 for new equipment purchases as a new proposal.

8) **Other** - Miscellaneous increases to the present law total less than 0.40 percent of fiscal 1994 operating expenditures.

5603 03 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions	(1.00)	(\$2,607)	(\$20,212)	(1.00)	(\$2,616)	(\$20,279)
Totals	(1.00)	(\$2,607)	(\$20,212)	(1.00)	(\$2,616)	(\$20,279)

Executive New Proposals

1) **Personal Services Reduction** - The executive requests the elimination of a 1.00 FTE unclassified grade 8 FTE each fiscal year for a reduction of \$20,212 (\$2,607 general fund and \$17,605 state special revenue) in fiscal 1996 and \$20,279 (\$2,616 general fund and \$17,663) in fiscal 1997. This position is part of a budget modification approved by the 1993 legislature because of an increase in workload and has never been filled.

Other LFA Issues

Program Funding - The Executive Budget funds this program with 12.9 percent general fund and funds the remainder from the animal health account. The percentage of general fund represents an increase over the percentage of general fund used by the 1993 legislature to fund this program, even though adequate funds are available in the animal health account.

OPTION: If the legislature wishes to fund general fund at the level of support provided in fiscal 1994, decrease general fund by \$30,274 in fiscal 1996 and \$30,633 in fiscal 1997 and increase state special revenue by like amounts.

The 1993 legislature funded fiscal 1995 appropriations with general fund at 11.3 percent of total program appropriations.

OPTION: If the legislature wishes to fund general fund at the level of support appropriated in fiscal 1995, decrease general fund by \$17,300 in fiscal 1996 and \$17,504 in fiscal 1997 and increase state special revenue by like amounts.

DEPARTMENT OF LIVESTOCK

Program Summary

DISEASE CONTROL PROGRAM

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	10.75	0.00	(1.00)	9.75	0.00	(1.00)	9.75	9.75
Personal Services	432,383	(24,432)	(85,822)	322,129	(22,556)	(86,983)	322,844	644,973
Operating Expenses	108,837	98,325	0	207,162	99,325	0	208,162	415,324
Equipment	20,306	(551)	0	19,755	296	0	20,602	40,357
Benefits and Claims	3,900	600	0	4,500	600	0	4,500	9,000
Total Costs	\$565,426	\$73,942	(\$85,822)	\$553,546	\$77,665	(\$86,983)	\$556,108	\$1,109,654
Fund Sources								
State/Other Special	565,426	73,942	(85,822)	553,546	77,665	(86,983)	556,108	1,109,654
Total Funds	\$565,426	\$73,942	(\$85,822)	\$553,546	\$77,665	(\$86,983)	\$556,108	\$1,109,654

Program Description

The Disease Control Program within the Animal Health Division provides diagnosis, prevention, control, and eradication of animal diseases. The program cooperates with the Department of Health and Environmental Sciences to protect human health from animal diseases transmissible to humans. Sanitary standards are supervised for animal concentration points, such as auction markets, and certain animal product processing facilities, such as rendering plants. The rabies control program protects human health from rabies by controlling the transmission of domestic animal and wildlife rabies, particularly through eradication of skunks.

Funding

The Disease Control Program is funded entirely from the Animal Health state special revenue account which receives a percent (set by the Board of Livestock) of the total per capita tax revenue, in addition to inspection/testing fees and other income.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The decrease is due to the net of reversions, the pay raise authorized by the 1993 legislature, increased benefits, retirement buyouts, termination payouts, and greater work hours. Due to recruitment and retention problems for the state veterinarian position, the department was granted a pay exception for this position. This exception only slightly increases personal services over the amount budgeted in fiscal 1994, as the incumbent was a long-term state employee.

2) Inflation & 3) Fixed Costs - Fixed costs decrease primarily due to IDS network fees and other fixed costs being budgeted in the Centralized Services Program.

4) Contracted Services - The executive requests a total of \$108,400 state special revenue each fiscal year to contract with local veterinarians in the event a disease outbreak occurs, an increase of \$105,466 each year over fiscal 1994 expenditures. The executive is requesting contracted services for: a) a contingency to contract with local veterinarians in case of a disease outbreak - \$70,000; and b) replacement of the 1.0 FTE veterinarian requested to be eliminated

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services		(\$24,432)		(\$22,556)
2 Inflation/Deflation		911		1,911
3 Fixed Costs		(5,529)		(5,529)
Other Executive Present Law Adjustments				
4 Contracted Services		\$105,466		\$105,466
5 Equipment		(551)		296
6 Other		(1,923)		(1,923)
Total Executive Present Law Adjustments	0.00	\$73,942	0.00	\$77,665
LFA Issues With Executive PL Adjustments				
4 Contracted Services		(\$38,400)		(\$38,400)

in the personal services reduction new proposal -\$38,400.

LFA Issues - There are two issues with this adjustment:

- a) The veterinarian position that would be replaced with the additional \$38,400 each year is included in the present law. Therefore, double funding exists. For a further discussion, see the "Executive New Proposal" section.
 - b) The executive includes contingency funds in case of disease outbreak. In fiscal 1994, only \$2,934 was expended from a total \$81,500 appropriated for this purpose, leaving \$78,566 of excess authority. Since the program reverted less funds than the difference between the appropriation and actual expenditures, a portion of this excess appropriation was expended for other purposes outside of legislative intent. If the legislature wishes to appropriate disease emergency funds, it might consider restricting the appropriation only for that purpose.
- 5) Equipment - Requested equipment purchases include a replacement vehicle in each fiscal year and office equipment. The three-year average for equipment purchases is \$22,833.
- 6) Other - Miscellaneous decreases to the present law represent decreases in maintenance contracts which are now budgeted in the Centralized Services Program.

Executive New Proposals

- 1) Personal Services Reduction - The executive requests the elimination of a 1.0 FTE grade 19 veterinarian totalling \$47,338 state special revenue in fiscal 1996 and \$47,510 in fiscal 1997. In addition, a vacancy savings rate of 10.7 percent is imposed for an additional reduction of \$38,484 in fiscal 1996 and \$39,473 in fiscal 1997. Areas of reduced services or other justification for the decrease was not provided.

5603 04 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(1.00)		(\$85,822)	(1.00)		(\$86,983)
Totals	(1.00)		(\$85,822)	(1.00)		(\$86,983)

LFA Issue - As stated in the Executive Present Law section, the executive requests \$38,400 each fiscal year in contracted services to replace this position. Therefore, actual savings are only \$8,938 in fiscal 1996 and \$9,110 in fiscal 1994 rather than the amounts listed above. If this new proposal is not approved, duplicate funding for this position will be budgeted in the executive present law: a) \$47,338 state special revenue in fiscal 1996 and \$47,510 in fiscal 1997 for the veterinarian position; and b) \$38,400 each fiscal year to contract for veterinarian services.

OPTION: If this new proposal is not approved, remove \$38,400 each fiscal year in present law contracted services.

DEPARTMENT OF LIVESTOCK

Program Summary

MILK & EGG PROGRAM

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	136,621	2,407	0	139,028	3,329	0	139,950	278,978
Operating Expenses	28,516	(849)	0	27,667	(234)	0	28,282	55,949
Equipment	14,808	692	0	15,500	1,292	0	16,100	31,600
Total Costs	\$179,945	\$2,250	\$0	\$182,195	\$4,387	\$0	\$184,332	\$366,527
Fund Sources								
State/Other Special	154,945	(2,750)	0	152,195	387	0	155,332	307,527
Federal Special	25,000	5,000	0	30,000	4,000	0	29,000	59,000
Total Funds	\$179,945	\$2,250	\$0	\$182,195	\$4,387	\$0	\$184,332	\$366,527

Program Description

The Milk and Egg Program functions within the Meat, Milk, and Egg Inspection Division to ensure that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. Enforcement of state and federal law are accomplished through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies.

Funding

The program is primarily funded with state special revenue derived from a portion of the 14.97 cents per hundred weight tax on class I milk produced and sold by a producer in Montana. Federal funding consists of funds from the U.S. Department of Agriculture to conduct shell egg surveillance work.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The decrease is due to the net of reversions, the pay raise authorized by the 1993 legislature, increased benefits, and greater work hours.
- 2) Inflation & 3) Fixed Costs - Fixed costs decrease primarily due to ISD network fees and other fixed costs being budgeted in the Centralized Services Program.
- 4) Equipment - Requested equipment includes the purchase of a replacement vehicle in each fiscal year. The three-year average for equipment purchases is \$4,593.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$2,407		\$3,329
2 Inflation/Deflation		457		1,072
3 Fixed Costs		(1,284)		(1,284)
<i>Other Executive Present Law Adjustments</i>				
4 Equipment		\$692		\$1,292
5 Other		(22)		(22)
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$2,250</u>	<u>0.00</u>	<u>\$4,387</u>

5603 06 00000								
DEPARTMENT OF LIVESTOCK				INSPECTION & CONTROL PROGRAM				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	63.21	0.00	0.00	63.21	0.00	0.00	63.21	63.21
Personal Services	1,893,094	21,312	0	1,914,406	29,031	0	1,922,125	3,836,531
Operating Expenses	318,182	(28,092)	0	290,090	(24,364)	0	293,818	583,908
Equipment	102,007	20,642	15,920	138,569	25,318	0	127,325	265,894
Total Costs	\$2,313,283	\$13,862	\$15,920	\$2,343,065	\$29,985	\$0	\$2,343,268	\$4,686,333
Fund Sources								
State/Other Special	2,313,283	13,862	15,920	2,343,065	29,985	0	2,343,268	4,686,333
Total Funds	\$2,313,283	\$13,862	\$15,920	\$2,343,065	\$29,985	\$0	\$2,343,268	\$4,686,333

Program Description

The Inspection and Control Program, as part of the Brands-Enforcement Division, is responsible for livestock theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of security interests on livestock, livestock auction licensing, livestock dealer licensing, hide inspections, and beef inspections.

Funding

The Inspection and Control Program is funded entirely from the inspection and control state special revenue account which receives a portion (set by the Board of Livestock) of the total per capital tax revenue in addition to inspection/testing fees, livestock license/permits, a Department of Fish, Wildlife, and Parks' grant, and other income.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The decrease is due to the net of reversions, the pay raise authorized by the 1993 legislature, increased benefits, retirement buyouts, termination payouts, and greater work hours.
- 2) Inflation & 3) Fixed Costs - Fixed costs decrease primarily because ISD network fees and other fixed costs are now budgeted entirely in the Centralized Services Program.
- 4) Repair and Maintenance - The decrease occurs because repairs and maintenance are now budgeted in the Centralized Services Program.
- 5) Equipment - The executive requests \$122,649 state special revenue in fiscal 1996 and \$127,325 in fiscal 1997 for replacement equipment including: a) 6 replacement vehicles each fiscal year - \$111,930 in fiscal 1996 and \$116,406 in fiscal 1997; b) 5 replacement light bars - \$3,000 each fiscal year; c) 3 suits of body armor - \$2,319 each fiscal year; and d) office equipment - \$5,400 in fiscal 1996 and \$5,600 in fiscal 1997.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$21,312		\$29,031
2 Inflation/Deflation		933		4,661
3 Fixed Costs		(20,570)		(20,570)
<i>Other Executive Present Law Adjustments</i>				
4 Repairs and Maintenance		(\$8,339)		(\$8,339)
5 Equipment		20,642		25,318
6 Other		(116)		(116)
<i>Total Executive Present Law Adjustments</i>	0.00	\$13,862	0.00	\$29,985

Executive New Proposals

1) Inspection/Control Equipment - The executive requests an additional \$15,920 state special revenue in fiscal 1996 to purchase new equipment: a) paper shredder to shred intelligence reports from other law enforcement agents that are federally funded - \$2,000; and b) 16 fireproof safes to secure documents and collected fees at the 16 market and brand offices, as recommended by the Legislative Auditor - \$13,920.

5603 06 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Inspection/Control Equipment			\$15,920			
Totals			\$15,920			

5603 08 00000								
DEPARTMENT OF LIVESTOCK				PREDATOR CONTROL				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	1.25	0.00	0.00	1.25	0.00	0.00	1.25	1.25
Personal Services	14,001	36,195	(36,737)	13,459	36,376	(36,868)	13,509	26,968
Operating Expenses	216,204	57,210	126,050	399,464	59,636	60,000	335,840	735,304
Total Costs	\$230,205	\$93,405	\$89,313	\$412,923	\$96,012	\$23,132	\$349,349	\$762,272
Fund Sources								
State/Other Special	230,205	93,405	89,313	412,923	96,012	23,132	349,349	762,272
Total Funds	\$230,205	\$93,405	\$89,313	\$412,923	\$96,012	\$23,132	\$349,349	\$762,272

Program Description

The Predator Control Program (operated by the Brands-Enforcement Division), through helicopter hunting and contracts, controls certain types of predators (mainly coyotes) that kill or injure domestic livestock. Also contained in this program is the state's administration of Section 8 of the federal Rangeland Improvement Act. The department acts as the Governor's representative and facilitator in the mediation process among federal agencies such as the U.S. Forest Service, the Bureau of Land Management, and state and private lessees. Section 8 allows for the review of lands covered by Allotment Management Plans.

Funding

The Predator Control Program is funded entirely from the inspection and control state special revenue account which receives a portion (set by the Board of Livestock) of the total per capital tax revenue in addition to inspection/testing fees, livestock license/permits, a Department of Fish, Wildlife, and Parks' grant, and other income.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The reduction in personal services is due to the helicopter pilot position being budgeted at entry level. See related issues under numbers 4 and 5 below.
- 2) Inflation & 3) Fixed Costs - Inflation on operating expenses totals \$1,676 in fiscal 1996 and \$4,102 in fiscal 1997. Fixed costs increase primarily due to a \$11,786 per year increase in insurance for the helicopter.
- 4) Pilot Personal Services & 5) Contracted Services - The helicopter pilot position was vacant for all of fiscal 1994. Because there were no expenditures in fiscal 1994 and the pilot position is budgeted in present law, there is an increase in personal services of \$36,737 in fiscal 1996 and \$36,868 in fiscal 1997. For fiscal 1994, the department contracted with the federal Animal Damage Control (ADC) to pilot the state's aircraft rather than hire its own pilot. The executive includes funding for the pilot and for contracted services to contract for this service in present law, and eliminates the position in a new proposal. See the Executive New Proposal section for a further discussion.

The Executive Budget requests \$154,000 each year in contracted services, an increase of \$36,254 over the \$117,746 spent in fiscal 1994. The contracts include services for: a) an ADC pilot to fly the department's helicopter - \$56,000

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$542)		(\$492)
2 Inflation/Deflation		1,676		4,102
3 Fixed Costs		11,721		11,721
<i>Other Executive Present Law Adjustments</i>				
4 Pilot Personal Services		\$36,737		\$36,868
5 Contracted Services		36,254		36,254
6 Section 8		5,042		5,042
7 Other		2,517		2,517
<i>Total Executive Present Law Adjustments</i>	0.00	\$93,405	0.00	\$96,012
<i>LFA Issues With Executive PL Adjustments</i>				
4 Pilot Personal Services and Contracted Services		(\$36,254)		(\$36,254)

each fiscal year; b) predator control by ADC - \$42,500 each fiscal year; c) predator control by counties - \$25,500 each fiscal year; and d) additional aerial hunting - \$30,000 each fiscal year. Department staff state this additional funding is requested to implement the Board of Livestock's desire to provide more services to cattlemen.

LFA Issue - The \$154,000 requested in the Executive Budget for contracted services represents a 126 percent increase since fiscal 1993 when \$68,000 was appropriated. In fiscal 1994, \$117,747 was spent of the \$132,000 appropriated, including the cost of the ADC contract. However, the department has not specified any criteria upon which the efficiency or effectiveness of the additional expenditure can be evaluated, such as projected increase in predators destroyed, or economic impact to cattle producers.

OPTION: Reduce the Executive Budget contracts by \$36,254 state special revenue each year to the level of service provided in fiscal 1994, or specify that the department provide criteria upon which the effectiveness of the additional expenditure may be evaluated.

LFA Issue - At the September 1994 Board of Livestock meeting, the board voted to enter into an agreement with ADC to turn the day-to-day management of the program over to the federal agency. Although the department would still maintain ownership of the helicopter and be responsible for its major periodic maintenance, all other program expenses would be paid by ADC. The department states it would maintain the present law level of funding, but expend the funds through contracts. However, funding of \$5,000 for miscellaneous expenses, \$10,000 for Section 8 expenses (which are unrelated to predator control), and 0.25 FTE for contract administration would still be budgeted separately. The executive submitted the present law budget based upon how the 1993 legislature appropriated funding. If the agreement is continued in fiscal 1996, the 1999 biennium budget would reflect this change.

Currently, the Department of Fish, Wildlife and Parks contracts with and pays the Department of Livestock \$110,000 of hunting and fishing license fees for predator control. Since the Department of Livestock would no longer be

providing predator control services directly, the Department of Fish, Wildlife, and Parks could contract directly with ADC for these services.

OPTION: If the Board of Livestock continues the agreement with ADC, reduce operations by \$110,000 state special revenue each year and stipulate that the Department of Fish, Wildlife, and Parks contract directly with ADC if predator control services are desired.

6) Section 8 - Since the number and extent of Section 8 reviews are unknown, the executive requests \$10,000 as a contingency to hire experts to conduct the reviews, an increase of \$5,042 over the \$4,958 spent in fiscal 1994.

7) Other - Other increases in operating costs are primarily due to increased hangar rent for the department's helicopter.

5603 08 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Aircraft Maintenance			\$126,050			\$60,000
2 Personal Services Reductions			(36,737)			(36,868)
Totals			\$89,313			\$23,132

Executive New Proposals

1) Aircraft Maintenance - The executive requests \$126,050 in fiscal 1996 and \$60,000 in fiscal 1997 for an overhaul of the department's helicopter used for predator control. Although routine maintenance is budgeted each year, replacement of components at specifically mandated intervals is not. The request includes: a) long idler bell crankshaft - \$550; b) main rotor transmission - \$22,000; c) main rotor hub - \$26,000; d) main rotor swasplate - \$2,500; e) main rotor blades - \$75,000; and f) turbine engine - \$60,000. The last major overhaul was budgeted in fiscal 1992 when the legislature appropriated \$120,000 for an overhaul of the helicopter.

OPTION: The legislature may wish to restrict any appropriation for a helicopter overhaul and stipulate that expenditures not be included in the 1999 biennium base.

2) Personal Services Reduction - The executive requests a decrease of \$36,737 state special revenue in fiscal 1996 and \$36,868 in fiscal 1997. Although the proposal removes all the funding for the helicopter pilot, the FTE is not eliminated.

LFA Issue - The reduction eliminates the helicopter pilot. However, as stated in the Executive Present Law section, the executive present law includes \$56,000 to contract for a helicopter pilot (see LFA issues numbers 4 and 5, in the Executive Present Law section). Consequently, no savings result from this reduction. If the legislature does not adopt this new proposal, two options should be considered:

OPTION 1: Eliminate \$56,000 each year in present law for a contract pilot.

OPTION 2: Eliminate the 1.00 FTE pilot (\$36,737 in fiscal 1996 and \$36,868 in fiscal 1997) budgeted in present law.

5603 10 00000								
DEPARTMENT OF LIVESTOCK				MEAT/POULTRY INSPECTION				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	15.50	0.00	(1.00)	14.50	0.00	(1.00)	14.50	14.50
Personal Services	395,519	65,211	(52,000)	408,730	67,252	(52,000)	410,771	819,501
Operating Expenses	107,816	19,390	0	127,206	20,393	0	128,209	255,415
Equipment	4,655	(4,655)	0	0	(4,655)	0	0	0
Total Costs	\$507,990	\$79,946	(\$52,000)	\$535,936	\$82,990	(\$52,000)	\$538,980	\$1,074,916
Fund Sources								
General Fund	248,944	39,024	(26,000)	261,968	40,546	(26,000)	263,490	525,458
State/Other Special	5,049	951	0	6,000	951	0	6,000	12,000
Federal Special	253,997	39,971	(26,000)	267,968	41,493	(26,000)	269,490	537,458
Total Funds	\$507,990	\$79,946	(\$52,000)	\$535,936	\$82,990	(\$52,000)	\$538,980	\$1,074,916

Program Description

The Meat and Poultry Inspection Program within the Meat, Milk and Egg Inspection Division was established in 1987 by the Montana Meat and Poultry Inspection Act. It implements and enforces a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture and the Food Safety Inspection Service to assure clean, wholesome, and properly labeled meat and poultry products for consumers.

Funding

The Meat and Poultry Inspection Program is funded 50 percent from the federal meat/poultry inspection special revenue fund, which receives revenue from the U.S. Department of Agriculture, and 50 percent from state matching funds. The executive continues a 1993 legislature funding change and uses \$6,000 each year of state special revenue derived from annual meat establishment license fees established in section 81-9-201, MCA. The remaining state match is provided by general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The increase is due to the net of reversions, the pay raise authorized by the 1993 legislature, increased benefits, termination payouts, and greater work hours.
- 2) Inflation & 3) Fixed Costs - Inflation on operating expenses totals \$1,507 in fiscal 1996 and \$2,934 in fiscal 1997. Fixed costs increase due to increases in Department of Administration's data processing fees and building rent.
- 4) Laboratory Testing - The Executive Budget requests an additional \$4,275 over the amount of laboratory testing services provided in fiscal 1994 because of additional sample testing required by the federal government.

LFA Issue - Additional funding approved for fiscal 1994 by the 1993 legislature on the basis of additional sample testing was not spent. The 1993 legislature appropriated \$7,350 (an increase of \$6,040 over the \$1,310 spent in fiscal 1992), while only \$725 was spent.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services		\$65,211		\$67,252
2 Inflation/Deflation		1,507		2,934
3 Fixed Costs		1,081		657
Other Executive Present Law Adjustments				
4 Laboratory Testing		\$4,275		\$4,275
5 Leased Vehicles		11,954		11,954
6 Other		(4,082)		(4,082)
Total Executive Present Law Adjustments	0.00	\$79,946	0.00	\$82,990
LFA Issues With Executive PL Adjustments				
4 Laboratory Testing				

5) Leased Vehicles - The increase of \$11,954 each year represents two additional leased vehicles from the number leased in fiscal 1994. Historically, this program has received and operated used vehicles from other department programs. Because federal funds cannot be used to purchase vehicles, as these vehicle become unusable the program leases additional vehicles rather than purchasing them.

6) Other - The executive does not request any equipment in this program, whereas \$4,655 was spent in fiscal 1994.

5603 10 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(1.00)	(\$26,000)	(\$52,000)	(1.00)	(\$26,000)	(\$52,000)
Totals	(1.00)	(\$26,000)	(\$52,000)	(1.00)	(\$26,000)	(\$52,000)

Executive New Proposals

1) Personal Services Reduction - The executive requests the elimination of a grade 8 meat inspector for a reduction of 1.00 FTE and \$24,967 (one-half federal and one-half state special revenue) in fiscal 1996 and \$25,053 in fiscal 1997. In addition, a vacancy savings rate of 6.2 percent was imposed for a further reduction of \$27,033 (one-half federal and one-half state special revenue) in fiscal 1996 and \$26,947 in fiscal 1997.

5706 00 00000

DEPT NAT RESOURCE/CONSERVATION**BIENNIUM BUDGET COMPARISON**

Agency Summary

Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	234.42	(5.92)	228.50	234.42	(5.92)	228.50	237.42	228.50
Personal Services	8,572,254	(361,014)	8,211,240	8,616,992	(364,302)	8,252,690	16,179,038	16,463,930
Operating Expenses	4,038,209	56,466	4,094,675	3,980,772	31,549	4,012,321	25,261,481	8,106,996
Equipment	219,886	36,137	256,023	164,704	9,972	174,676	431,551	430,699
Capital Outlay	0	0	0	0	0	0	250,429	0
Local Assistance	125,000	0	125,000	125,000	0	125,000	210,000	250,000
Grants	433,151	0	433,151	430,542	0	430,542	5,458,626	863,693
Transfers	0	0	0	0	0	0	515,845	0
Debt Service	23,163	460,000	483,163	23,163	0	23,163	54,019	506,326
Total Costs	\$13,411,663	\$191,589	\$13,603,252	\$13,341,173	(\$322,781)	\$13,018,392	\$48,360,989	\$26,621,644
Fund Sources								
General Fund	4,868,027	(139,493)	4,728,534	4,855,201	(166,627)	4,688,574	6,274,896	9,417,108
State/Other Special	6,971,101	366,542	7,337,643	6,921,205	(120,070)	6,801,135	26,358,346	14,138,778
Federal Special	1,172,535	(35,460)	1,137,075	1,164,767	(36,084)	1,128,683	15,330,527	2,265,758
Expendable Trust	400,000	0	400,000	400,000	0	400,000	397,220	800,000
Total Funds	\$13,411,663	\$191,589	\$13,603,252	\$13,341,173	(\$322,781)	\$13,018,392	\$48,360,989	\$26,621,644

Agency Description

The Department of Natural Resources and Conservation (DNRC), provided for in section 2-15-3301, MCA, is responsible for ensuring wise management, development, conservation, and use of some of Montana's natural resources in a manner consistent with environmental quality. It works to sustain and improve benefits derived from water, soil, and rangeland; to encourage energy conservation and the use of renewable energy resources; and to ensure that energy facilities and water projects under its jurisdiction are developed with minimum adverse environmental effects.

5706 00 00000

DEPT NAT RESOURCE/CONSERVATION

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	240.42	(6.00)	(5.92)	228.50	(6.00)	(5.92)	228.50	228.50
Personal Services	7,782,083	790,171	(361,014)	8,211,240	834,909	(364,302)	8,252,690	16,463,930
Operating Expenses	2,307,714	1,730,495	56,466	4,094,675	1,673,058	31,549	4,012,321	8,106,996
Equipment	244,011	(24,125)	36,137	256,023	(79,307)	9,972	174,676	430,699
Capital Outlay	250,429	(250,429)	0	0	(250,429)	0	0	0
Local Assistance	105,000	20,000	0	125,000	20,000	0	125,000	250,000
Grants	532,687	(99,536)	0	433,151	(102,145)	0	430,542	863,693
Debt Service	22,905	258	460,000	483,163	258	0	23,163	506,326
Total Costs	\$11,244,829	\$2,166,834	\$191,589	\$13,603,252	\$2,096,344	(\$322,781)	\$13,018,392	\$26,621,644
Fund Sources								
General Fund	3,072,825	1,795,202	(139,493)	4,728,534	1,782,376	(166,627)	4,688,574	9,417,108
State/Other Special	6,686,270	284,831	366,542	7,337,643	234,935	(120,070)	6,801,135	14,138,778
Federal Special	1,161,547	10,988	(35,460)	1,137,075	3,220	(36,084)	1,128,683	2,265,758
Expendable Trust	324,187	75,813	0	400,000	75,813	0	400,000	800,000
Total Funds	\$11,244,829	\$2,166,834	\$191,589	\$13,603,252	\$2,096,344	(\$322,781)	\$13,018,392	\$26,621,644

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

5706 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 N M F S Lawsuit	0.00	\$25,000	\$25,000	0.00	\$0	\$0
2 Centralized Services Equipment	0.00	724	1,610	0.00	162	360
3 Personal Services Reductions	0.00	0	(20,216)	0.00	0	(20,592)
4 Personal Services Reductions	(5.50)	0	(139,958)	(5.50)	0	(140,603)
5 Safe Drinking Water Request	1.00	0	45,000	1.00	0	45,000
6 Personal Services Reductions	0.00	0	(11,174)	0.00	0	(11,382)
7 Rehab DNRC State-Owned Dams	0.00	0	460,000	0.00	0	0
8 FWP Water Project Rehab	1.00	0	52,647	1.00	0	52,647
9 Water Resources Equipment	0.00	0	34,100	0.00	0	9,500
10 Personal Services Reductions	0.00	(165,217)	(165,217)	0.00	(166,789)	(166,789)
11 Personal Services Reductions	(0.42)	0	(18,650)	(0.42)	0	(18,820)
12 Personal Services Reductions	(2.00)	0	(71,553)	(2.00)	0	(72,102)
Totals	(5.92)	(\$139,493)	\$191,589	(5.92)	(\$166,627)	(\$322,781)

Other LFA Issues

Several programs in DNRC and one in the Department of State Lands are partially funded from the renewable resources grant and loan account (RRGL) and the reclamation and development grants account (RDG). The executive proposes to replace state special revenues with general fund in these programs due to a reduction in projected revenue to the accounts. Table 1 shows the amount of RRGL and RDG funds replaced with general fund under the executive proposal.

The resource indemnity and groundwater assessment tax (RIGWAT) and interest from the resource indemnity trust fund (RIT) are the primary revenue sources for RRGL and RDG. Revenue estimates for the 1997 biennium adopted by the Revenue Oversight Committee are depressed in the 1997 biennium due to two main factors: 1) less production due to lower oil and gas prices; and 2) lower interest rates. While these factors also depressed earnings in the 1995 biennium, the programs were able to utilize fund balance and other resources to maintain expenditures. Table 2 shows RIGWAT revenue projections, and anticipated revenue to and executive proposed appropriations from RRGL and RDG, as well as the two accounts in the Department of Health and Environmental Sciences (DHES) that receive RIT interest.

LFA Issue - Three issues are raised with the executive proposals:

- 1) The executive assumes a portion of metal mines proceeds will be deposited to the RRGL and RDG. Due to an oversight in the law, these accounts did not receive any of these funds in fiscal 1994. The executive assumes the law will be changed to allow those funds to be deposited to the accounts. A further explanation

of the RIT accounts is included in the "Revenue" section in the front section of the LFA Budget Analysis.

2) All program expenditures are maintained, even though the funding source is reduced.

3) Appropriations proposed by the executive are in excess of available revenues for both RRGL and RDG, as well as the other RIT interest accounts. As shown on the last line of Table 2, the projected RRGL ending fund balance would still be negative even if legislation is passed to allocate metal mines tax proceeds to RRGL and RDG. While, the projected positive RDG balance of \$60,357 could

be used to offset a portion of the over appropriation of RRGL, both accounts show a combined negative fund balance in the Executive Budget. The legislature may wish to consider how funding might be reprioritized so that appropriations are within anticipated revenues.

Table 1
General Fund Replacement

Program	1997 Biennium
<u>DNRC</u>	
Centralized Services	\$524,658
Conservation and Resource Development	639,626
Water Resources	1,391,951
Reserved Water Rights Compact Commission	339,572
<u>DSL</u>	
Reclamation	\$571,190
Total for DNRC and DSL	\$3,466,997

TABLE 2
RIGWAT PROCEEDS, RIT TRUST INTEREST EARNINGS, AND EXPENDITURES

RIGWAT PROCEEDS PROJECTIONS	RIGWAT Metal Mine Tax Proceeds	Proceeds	To RIT Trust	Deposits Trust Balance
FY 95	\$2,979,674	\$797,469	2,463,107	\$91,776,719
FY 96	3,041,004	872,800	2,268,621	94,045,340
FY 97	3,030,203	823,029	2,213,892	96,259,232
RIT TRUST INTEREST EARNINGS PROJECTIONS	FY96	FY97	TOTAL	
	7,760,370	7,881,869	15,642,239	

TOTAL 1997 BIENNIUM ALLOCATION OF RIT INTEREST EARNINGS	\$15,642,239
Environmental Contingency Account	\$175,000
Oil & Gas Production Damage Mitigation Account	50,000
Renewable Resource Grant & Loan Program	2,000,000
Reclamation & Development Grants	3,000,000
Water Storage Account	500,000
TOTAL BIENNIAL APPROPRIATIONS	\$5,725,000
AMOUNT AVAILABLE FOR FURTHER DISTRIBUTION	\$9,917,239

Distribution of Remaining Interest Earnings

Account	Renewable Resource	Reclamation & Development	Hazardous Waste/ CERCLA 18%	Environmental Quality Protection 6%	TOTAL
Percent Distribution of RIT Interest	36%	40%	18%	6%	100%
Beginning Balance	\$572,226	\$212,524	\$968,414	\$841,669	\$2,594,833
Revenues					
RIT Interest	\$3,570,206	\$3,966,896	\$1,785,103	\$595,034	\$9,917,239
RIGWAT Proceeds	607,121	1,821,362			\$2,428,483
Debt Service Sweep (04011 and 04008)	919,444				919,444
RRD Loan Repayments	238,900				238,900
Interest (STIP)			120,000	120,000	240,000
Cost Recoveries			514,000	1,237,000	1,751,000
Administrative Fees	10,000				10,000
State Owned Project Revenue	459,290				459,290
Total Funds Available	\$6,377,187	\$6,000,782	\$3,387,517	\$2,793,703	\$18,559,189
Appropriation					
Montana State University, Northern	240,000				240,000
DNRC Centralized Services Division	875,245	154,001			1,029,247
DNRC Conservation and Resource Development	649,931	1,185,566			1,835,497
DNRC Water Resources Division	1,737,971	2,051,709			3,789,680
Reserved Water Rights Compact Commission	131,638	534,516			666,154
DNRC State Water Projects	1,690,000				1,690,000
DSL Reclamation Division		2,082,177			2,082,177
DSL Central Management		78,085			78,085
DHES Environmental Programs			3,415,016	2,802,350	6,217,366
DHES Radon Control		50,000			50,000
Governor's Office -- Flathead Basin Commission	80,082				80,082
Water Court	1,024,296				1,024,296
State Library	322,007	285,036			607,043
Environmental Quality Council		28,083			28,083
Pay Plan					0
Total Appropriations	\$6,751,170	\$6,449,174	\$3,415,016	\$2,802,350	\$19,417,710
Projected Biennium Ending Balance	(\$373,983)	(\$448,391)	(\$27,499)	(\$8,647)	
Potential Allocation of Metal Mines Tax	\$169,583	\$508,749			
Projected Balance with Allocation of Metal Mines Tax	(\$204,400)	\$60,357	(\$27,499)	(\$8,647)	

DEPT NAT RESOURCE/CONSERVATION

CENTRALIZED SERVICES

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	34.50	(1.00)	0.00	33.50	(1.00)	0.00	33.50	33.50
Personal Services	1,219,398	49,490	(20,216)	1,248,672	55,774	(20,592)	1,254,580	2,503,252
Operating Expenses	464,717	130,263	25,360	620,340	74,456	360	539,533	1,159,873
Equipment	13,078	(3,043)	1,250	11,285	(1,471)	0	11,607	22,892
Debt Service	7,435	(1,364)	0	6,071	(1,364)	0	6,071	12,142
Total Costs	\$1,704,628	\$175,346	\$6,394	\$1,886,368	\$127,395	(\$20,232)	\$1,811,791	\$3,698,159
Fund Sources								
General Fund	734,066	364,905	25,724	1,124,695	355,350	162	1,089,578	2,214,273
State/Other Special	850,642	(181,198)	(19,423)	650,021	(187,864)	(20,412)	642,366	1,292,387
Federal Special	119,920	(8,361)	93	111,652	(40,091)	18	79,847	191,499
Total Funds	\$1,704,628	\$175,346	\$6,394	\$1,886,368	\$127,395	(\$20,232)	\$1,811,791	\$3,698,159

Program Description

Centralized Services Division provides managerial and administrative support services to the department through three program components: 1) the Director's Office, which includes the director, deputy director, legal, public information, and personnel support functions; 2) Centralized Services, which manages all financial activities, coordinates information systems, produces publications and graphic materials, and performs general administrative support services; and 3) the Board of Natural Resources and Conservation (BNRC), a quasi-judicial board whose seven members are appointed by the Governor, that adopts administrative rules, approves water reservations, and advises the department on other matters as necessary.

Funding

The executive funds centralized services with general fund, state special revenues, and federal revenues. Table 3 shows present law funding for centralized services. General fund is significantly increased over fiscal 1994 levels, both in total and as a percentage of total funds. State special revenue is decreased in total as a percentage of total funds. The executive has reduced state special revenue, primarily to reflect lower anticipated RIGWAT proceeds and RIT interest revenues in the 1997 biennium. For a further discussion, see the "Other LFA Issues" section in the agency summary.

Table 3
Centralized Services Division Funding

Funding Source	FY 96	FY 97
General Fund	\$1,098,971	\$1,089,416
State Special Revenue Funds		
Rangeland Improvement Loans	\$16,000	\$16,000
Major Facility Siting Fees	22,000	16,500
Water Rights Appropriation Funds	23,400	23,400
Water Adjudication Funds	1,500	1,500
Oil & Gas Funds	58,004	58,456
Grazing District Fees	480	480
Conservation District Grants	4,800	4,800
Alternative Energy Loan Repayments	4,524	3,571
RIT Renewable Resources	457,839	458,214
RIT Reclamation & Development	76,584	76,444
Water Well Contractors Fees	4,313	3,413
Federal Funds		
Indirect Cost Recovery Funds	\$107,900	\$76,300
Army Corps of Engineers Funds	3,659	3,529
Total Funds	\$1,879,974	\$1,832,023

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The reduction of 1.0 FTE reflects legislative action during the 1993 special session.
- 3) Fixed Costs - The difference in fixed costs between fiscal years is due primarily to audit fees in fiscal 1996.
- 4) Board of Natural Resources and Conservation (BNRC) Legal Fees - The executive proposes a \$5,444 annual increase for outside legal services to the BNRC. The addition reflects that the BNRC met three times during fiscal 1994 and customarily meets five to six times per year.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services	(1.00)	\$49,490	(1.00)	\$55,774
2 Inflation/Deflation		(467)		(238)
3 Fixed Costs		112,421		68,385
Other Executive Present Law Adjustments				
4 DNRC Legal Fees		\$5,444		\$5,444
5 Lawsuit Army Corp of Engineers		7,198		(7,802)
6 Equipment		(3,043)		(1,471)
7 Other		4,303		7,303
Total Executive Present Law Adjustments	(1.00)	\$175,346	(1.00)	\$127,395

5) Lawsuit Army Corp of Engineers - The executive proposes a line item, \$15,000 biennial appropriation for continuation of the lawsuit filed against the Army Corp of Engineers by Montana, North Dakota, and South Dakota. The lawsuit challenges the Army Corp of Engineers management of reservoir levels and river flows on the Missouri River. This executive proposal would result in a \$7,198 increase in fiscal 1996 and a \$7,802 decrease in fiscal 1997.

6) Equipment - The executive proposes equipment expenditures of \$10,035 in fiscal 1996 and \$11,607 in fiscal 1997, which are \$3,043 and \$1,471 lower than fiscal 1994. Proposed equipment purchases include computers and related software and hardware, a VCR, calculators, and conference room chairs.

7) Other - All other adjustments proposed by the executive represent less than one percent of total program expenditures.

5706 21 00000

Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 N M F S Lawsuit		\$25,000	\$25,000			
2 Centralized Services Equipment		724	1,610	162		360
3 Personal Services Reductions			(20,216)			(20,592)
Totals		\$25,724	\$6,394		\$162	(\$20,232)

Executive New Proposals

1) NMFS Lawsuit - The executive proposes a \$25,000 general fund, biennial appropriation for a lawsuit with the National Marine Fisheries Service (NMFS) over proposed changes in the Columbia River basin dam operations. The proposed changes are in accordance with salmon recovery plans. The state is challenging the salmon recovery plan

because the proposed changes in dam operations will cause reduced reservoir levels in western Montana (specifically at Hungry Horse and Libby Dams), which could significantly impact recreational opportunities.

2) Centralized Services Equipment - The executive proposes the purchase of a \$1,250 color printer in fiscal 1996 and \$360 in annual payments to the Department of Administration for support services. The department claims the color printer would allow for better service in the area of public information and potentially save money by producing more documents internally.

3) Personal Services Reductions - The executive proposes vacancy savings of \$20,216 in fiscal 1996 and \$20,592 in fiscal 1997. This total represents approximately 1.6 percent of present law personal services expenses.

DEPT NAT RESOURCE/CONSERVATION

Program Summary

OIL & GAS REGULATION

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	24.50	0.00	(5.50)	19.00	0.00	(5.50)	19.00	19.00
Personal Services	609,756	211,458	(139,958)	681,256	214,772	(140,603)	683,925	1,365,181
Operating Expenses	182,727	226,287	0	409,014	227,337	0	410,064	819,078
Equipment	2,628	20,693	0	23,321	22,439	0	25,067	48,388
Debt Service	857	(203)	0	654	(203)	0	654	1,308
Total Costs	\$795,968	\$458,235	(\$139,958)	\$1,114,245	\$464,345	(\$140,603)	\$1,119,710	\$2,233,955
Fund Sources								
State/Other Special	795,968	458,235	(139,958)	1,114,245	464,345	(140,603)	1,119,710	2,233,955
Total Funds	\$795,968	\$458,235	(\$139,958)	\$1,114,245	\$464,345	(\$140,603)	\$1,119,710	\$2,233,955

Program Description

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. To meet this goal, the division: 1) issues drilling permits; 2) classifies wells; 3) establishes well spacing units and pooling orders; 4) inspects drilling, production, and seismic operations; 5) investigates complaints; 6) does engineering studies; and 7) collects and maintains complete well data and production information.

Funding

The oil and gas state special revenue account funds this program. Revenue is derived from fees paid for drilling permits, a tax on oil and gas production, interest earnings, and miscellaneous fees for photocopy and other services.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - Fiscal 1994 vacancy savings, benefit increases, the addition of pay plan increases of over \$9,500, and other miscellaneous adjustments result in personal services expense increases of \$81,015 in fiscal 1996 and \$83,871 in fiscal 1997. The remainder of total personal services increases is in the Underground Injection Control (UIC) program, which is discussed in item 4 below.

4) Underground Injection Control - The executive includes \$130,443 in fiscal 1996 and \$130,901 in fiscal 1997 for personal services to support 4.0 FTE which already appear in the base budget. The executive has a new proposal to eliminate 3.0 FTE. The executive also proposes \$225,000 annually for consulting and professional services, although any actual expenditures would occur in several expenditure categories if the division were to receive primacy. For a further discussion of the UIC, see the "Other LFA Issues" section.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services		\$81,015		\$83,871
2 Inflation/Deflation		94		1,144
3 Fixed Costs		1,505		1,505
Other Executive Present Law Adjustments				
4 Underground Injection Control		\$355,443		\$355,901
5 Equipment		20,693		22,439
6 Other		(515)		(515)
Total Executive Present Law Adjustments	0.00	\$458,235	0.00	\$464,345

5) Equipment - The executive proposes equipment expenditures of \$23,321 in fiscal 1996 and \$25,067 in fiscal 1997, which are \$20,693 and \$22,439 higher than fiscal 1994. Proposed equipment expenditures are well below the three-year average of \$46,295. The executive proposes the replacement of two inspection vehicles, computers and related software and hardware, and hydrogen sulfide safety monitors.

7) Other - All other adjustments proposed by the executive represent less than one percent of total program expenditures.

5706 22 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(5.50)		(\$139,958)	(5.50)		(\$140,603)
Totals	(5.50)		(\$139,958)	(5.50)		(\$140,603)

Executive New Proposals

1) Personal Services Reductions - The executive proposes vacancy savings of \$11,471 in fiscal 1996 and \$11,685 in fiscal 1997. The executive also proposes the elimination of 5.5 FTE and related personal services costs of \$128,487 in fiscal 1996 and \$128,918 in fiscal 1997. Of the 5.5 FTE proposed for elimination, 3.0 FTE are associated with the UIC program. The proposed reductions would be applied against oil and gas fees.

LFA Issue - The executive replaces the UIC personal services reduction with contracted services in present law. See the "Other LFA Issues" section for a further discussion.

Other LFA Issues

Underground Injection Control - As stated, the Executive Budget includes a net of 1.0 FTE and a total of \$281,336 in fiscal 1996 and \$281,541 in fiscal 1997 in present law and new proposals. Since fiscal 1988, the division has been seeking primacy from the EPA for an UIC program for Class II injection wells¹. The division submitted its application to EPA for primacy in October 1992. EPA officially rejected the primacy application in August 1994 after several rounds of inquiry and negotiation. The division is still seeking primacy, however, and a consultant has been hired by an association of Montana oil and gas producers to assist in that endeavor.

In each of the last several biennia, the legislature has authorized 4.0 FTE and appropriated more than \$280,000 annually in state special revenue for UIC, as well as \$110,000 of federal funds through language if primacy were achieved. Because primacy has not been granted, the 4.0 FTE authorized for UIC have been left vacant and very little of the appropriated funds have been spent. The executive proposes \$355,443 in fiscal 1996 and \$355,901 in fiscal 1997 for present law, and the elimination of 3.0 FTE (approximately \$74,000 in personal services expenses annually) as part of the personal services reduction new proposal.

LFA Issue - There are two issues the legislature may wish to consider in regard to the executive proposal to fund this program.

- 1) In at least two previous years, the agency has used this appropriation to purchase equipment. Because primacy was not achieved, the equipment was used elsewhere in the Oil and Gas Conservation Division.
- 2) The executive present law includes approximately \$125,500 annually in consulting and professional services to replace 3.0 FTE budgeted at \$74,000 each year that are proposed for elimination in the executive personal services reductions new proposal. Therefore, not only would no savings occur from this change, expenses increase by approximately \$51,500 each year.

¹ Class II wells are defined as wells that inject fluids: 1) that have been brought to the surface in connection with oil or natural gas production; 2) for purposes of enhancing the ultimate recovery of oil or natural gas; or 3) for purposes of storing liquid hydrocarbons.

DEPT NAT RESOURCE/CONSERVATION

CONSERVATION/RESOURCE DEV DIV

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	18.50	0.00	1.00	19.50	0.00	1.00	19.50	19.50
Personal Services	639,022	33,612	20,149	692,783	37,103	20,051	696,176	1,388,959
Operating Expenses	301,887	44,974	13,677	360,538	50,727	13,567	366,181	726,719
Equipment	34,759	(11,897)	0	22,862	(11,897)	0	22,862	45,724
Local Assistance	105,000	20,000	0	125,000	20,000	0	125,000	250,000
Grants	256,929	26,222	0	283,151	23,613	0	280,542	563,693
Debt Service	2,270	1,092	0	3,362	1,092	0	3,362	6,724
Total Costs	\$1,339,867	\$114,003	\$33,826	\$1,487,696	\$120,638	\$33,618	\$1,494,123	\$2,981,819
Fund Sources								
General Fund	0	319,814	0	319,814	319,815	0	319,815	639,629
State/Other Special	1,251,616	(189,960)	(2,174)	1,059,482	(183,326)	(2,382)	1,065,908	2,125,390
Federal Special	88,251	(15,851)	36,000	108,400	(15,851)	36,000	108,400	216,800
Total Funds	\$1,339,867	\$114,003	\$33,826	\$1,487,696	\$120,638	\$33,618	\$1,494,123	\$2,981,819

Program Description

The Conservation and Resource Development Division is made up of the Conservation Districts Bureau and the Resource Development Bureau.

The Conservation Districts Bureau: 1) coordinates, supervises, and provides financial and technical assistance to Montana's 59 conservation districts; 2) coordinates and acts as a liaison between conservation districts and federal, state, and local governments; 3) coordinates statewide rangeland management and grazing districts; and 4) administers the statewide resource conservation and development program.

The Resource Development Bureau provides technical, financial, and administrative assistance to public and private entities to complete projects that put renewable resources to work, increase the efficiency with which natural resources are used, or solve recognized environmental problems. In fulfilling these duties, the bureau: 1) issues bonds; 2) administers three grant and loan programs: renewable resources, reclamation and development, and treasure state endowment (loans only); and 3) co-administers the state revolving fund wastewater treatment program with the Department of Health and Environmental Sciences.

Funding

The executive funds the Conservation and Resource Development Division with general fund, state special revenue, and federal revenue. Table 4 shows the components of the Conservation and Resource Development Division and related present law funding. The executive adds general fund to replace RIGWAT proceeds and RIT interest. For a further discussion, see the "Other LFA Issues" section in the agency summary.

Table 4
Conservation and Resource Development Division Funding

Funding Source	Fiscal 1996			Fiscal 1997		
	Conservation Districts	Resource Development	Total	Conservation Districts	Resource Development	Total
General Fund	\$319,814		\$319,814	\$319,815		\$319,815
State Special Revenue						
Rangeland Improvement Loans	\$5,500		\$5,500	\$5,500		\$5,500
Wastewater Administration Fees		\$5,600	5,600		\$5,600	5,600
Grazing District Fees	8,000		8,000	8,000		8,000
Conservation District Grants	83,151		83,151	80,542		80,542
Renewable Resources RIT	167,000	167,517	334,517	168,340	169,630	337,970
Reclamation and Development RIT	343,575	256,313	599,888	345,235	258,443	603,678
Treasure State Endowment		25,000	25,000		27,000	27,000
Federal Funds						
Rural Economic Development Grant	\$50,000		\$50,000	\$50,000		\$50,000
State Revolving Loan Admin Grant		\$22,400	22,400		\$22,400	22,400
Total	\$977,040	\$476,830	\$1,453,870	\$977,432	\$483,073	\$1,460,505

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$33,612		\$37,103
2 Inflation/Deflation		4,273		6,026
3 Fixed Costs		611		611
<i>Other Executive Present Law Adjustments</i>				
4 Consulting & Professional Services		\$32,089		\$37,089
5 Grants & Local Assistance		46,222		43,613
6 Travel		2,280		2,280
7 Rent		2,200		2,200
8 Equipment		(11,897)		(11,897)
9 Other		4,613		3,613
<i>Total Executive Present Law Adjustments</i>	0.00	\$114,003	0.00	\$120,638

- 4) Consulting & Professional Services - The executive proposes additional expenditures of \$32,089 in fiscal 1996 and \$37,089 in fiscal 1997 for consulting and professional services. The increases are in two areas: a) \$12,976 annually for conservation districts; and b) \$19,113 in fiscal 1996 and \$24,113 in fiscal 1997 for resource development. Consulting services in the conservation districts area are for a rangeland management coordinator (a Soil Conservation Service position that is cost shared with DNRC), watershed planning, riparian information education management, and writer services. Consulting services in the resource development area will be for bond counsel, arbitrage, bankruptcy proceedings, local government services, engineering review, environmental review, and other areas related to grant and loan reviews.
- 5) Grants and Local Assistance - The executive proposes an increase in grants and local assistance of \$46,222 in fiscal 1996 and \$43,613 in fiscal 1997. Local assistance grants are awarded to conservation districts that cannot maintain an office and basic service levels with local mill levies. Fiscal 1994 local assistance grants totalled \$105,000 and the executive proposes such grants be raised by \$20,000 annually, amounting to \$125,000 in each year of the 1997 biennium. Section 15-35-108, MCA requires that 0.19 percent of all coal severance taxes be allocated to conservation districts. Based on executive coal severance tax forecasts, the increased amount of funds that would go to conservation districts is \$26,222 higher in fiscal 1996 and \$23,613 higher in fiscal 1997.
- 6) Travel - The executive proposes increased travel expenses of \$2,280 each year for increased monitoring of grant and loan projects. The increase is requested for two reasons: a) an engineering position responsible for monitoring grant and loan projects was vacant for several months in fiscal 1994; and b) a recent Legislative Audit Report criticized the level of monitoring historically performed by the department.
- 7) Rent - The executive proposes to increase rent expenses by \$2,200 each year for field office rent.
- 8) Equipment - The executive proposes equipment expenditures of \$22,862 annually, which is \$11,897 lower than fiscal 1994. Proposed equipment purchases include computers and computer software, vehicles and various miscellaneous equipment.
- 9) Other - All other adjustments proposed by the executive represent less than one percent of total program expenditures.

5706 23 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Safe Drinking Water Request	1.00		\$45,000	1.00		\$45,000
2 Personal Services Reductions			(11,174)			(11,382)
Totals	1.00		\$33,826	1.00		\$33,618

Executive New Proposals

- 1) Safe Drinking Water - The executive proposes to add 1.0 FTE and \$45,000 in costs annually to process loans for a new EPA drinking water revolving loan program. The program will operate by matching state borrowed funds with federal grant funds, and loaning the proceeds to small communities for design and construction of facilities needed to comply with federal and state safe drinking water requirements. Repayments by the small communities will be deposited into a revolving fund that will pay the state's debt service requirements and provide funds for future loans. The Department of Health and Environmental Sciences (DHES) is also requesting budgetary authority for aspects

of this program. Generally, DHES will perform engineering reviews of proposed projects, while this program will provide financial reviews and duties related to the issuance of state debt. This new proposal is contingent on passage of federal legislation to change the Federal Safe Drinking Water Act.

2) Personal Services Reductions - The executive proposes vacancy savings of \$11,174 in fiscal 1996 and \$11,382 in fiscal 1997. This amount is slightly more than 1.6 percent of total present law personal services.

DEPT NAT RESOURCE/CONSERVATION**WATER RESOURCES DIVISION****Program Summary**

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	115.50	(4.00)	1.00	112.50	(4.00)	1.00	112.50	112.50
Personal Services	3,816,953	245,380	(130,786)	3,931,547	267,548	(132,236)	3,952,265	7,883,812
Operating Expenses	940,187	57,844	17,429	1,015,460	69,676	17,622	1,027,485	2,042,945
Equipment	150,825	(11,736)	34,887	173,976	(63,036)	9,972	97,761	271,737
Capital Outlay	5	(5)	0	0	(5)	0	0	0
Debt Service	6,555	356	460,000	466,911	356	0	6,911	473,822
Total Costs	\$4,914,525	\$291,839	\$381,530	\$5,587,894	\$274,539	(\$104,642)	\$5,084,422	\$10,672,316
Fund Sources								
General Fund	1,855,112	832,204	(165,217)	2,522,099	828,558	(166,789)	2,516,881	5,038,980
State/Other Special	3,006,665	(540,365)	546,747	3,013,047	(554,019)	62,147	2,514,793	5,527,840
Federal Special	52,748	0	0	52,748	0	0	52,748	105,496
Total Funds	\$4,914,525	\$291,839	\$381,530	\$5,587,894	\$274,539	(\$104,642)	\$5,084,422	\$10,672,316

Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. The division also develops and recommends water policy to the director, Governor, and Legislature. The division consists of an administration unit and four bureaus: Water Management Bureau, Water Rights Bureau, Engineering Bureau, and the Water Operations Bureau.

Funding

The executive funds the Water Resources program with general fund, state special revenue, and federal revenue. Table 5 shows the components of the Water Resources Division and associated present law funding. The executive replaces RIGWAT proceeds and RIT interest with general fund. For a further discussion, see the "Other LFA Issues" section in the agency summary.

Table 5
Water Resources Division Funding

-----Fiscal 1996-----							
Funding Source	Administration	Water Rights	Regional Offices	State Water Projects	Water Management	Water Operations	Total
General Fund			\$1,991,341	\$319,879	\$376,096		\$2,687,316
State Special Revenue							
Broadwater Fisheries Mitigation				\$21,050			\$21,050
Broadwater Operations & Maintenance				316,000			316,000
Water Right Appropriation		\$390,000					390,000
Water Adjudication Fees		25,000					25,000
Renewable Resources RIT	\$268,127			348,838			616,965
Reclamation and Development RIT		438,326			\$386,750	\$200,326	1,025,402
Water Well Contractors						71,883	71,883
Federal Funds							
State Assistance Program						52,748	52,748
Total	\$268,127	\$853,326	\$1,991,341	\$1,005,767	\$762,846	\$324,957	\$5,206,364

-----Fiscal 1997-----							
Funding Source	Administration	Water Rights	Regional Offices	State Water Projects	Water Management	Water Operations	TOTAL
General Fund			\$1,987,694	\$319,879	\$376,097		\$2,683,670
State Special Revenue							
Broadwater Fisheries Mitigation				\$21,050			\$21,050
Broadwater Operations & Maintenance				316,000			316,000
Water Right Appropriation		\$390,000					390,000
Water Adjudication Fees		25,000					25,000
Renewable Resources RIT	\$269,692			347,714			617,406
Reclamation and Development RIT		428,127			\$395,578	\$202,602	1,026,307
Water Well Contractors						56,883	56,883
Federal Funds							
State Assistance Program						52,748	52,748
Total	\$269,692	\$843,127	\$1,987,694	\$1,004,643	\$771,675	\$312,233	\$5,189,064

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The elimination of 4.0 FTE is due to: a) removal of 2.0 FTE to comply with legislative action in the 1993 special session; b) the elimination of 1.0 FTE for a one-time only appropriation to maintain FWP dams; c) the elimination of 2.0 FTE for a one-time only appropriation associated with the Missouri River basin reservation project; and d) the addition of 1.0 FTE transferred from the Energy Division.

4) Water Rights Consulting - The executive proposes an increase of \$14,670 annually, for a total budget of \$18,120. Assistance with hearings, rule development, policy development, environmental impact statements, and clerical support represent \$12,000 in annual expenses. The Yellowstone Park Cooperative Agreement requires Montana to

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(4.00)	\$245,380	(4.00)	\$267,548
2 Inflation/Deflation		(269)		2,496
3 Fixed Costs		(12,804)		(12,804)
<i>Other Executive Present Law Adjustments</i>				
4 Water Rights Consulting		\$14,670		\$14,670
5 Water Rights Computer Processing		19,500		19,500
6 USGS Coop Agreement		8,016		16,512
7 Broadwater Dam Prof Serv		(37,859)		(37,859)
8 Water Operations Consulting		16,500		16,500
9 Printing State Water Plan		4,500		4,500
10 Travel		14,444		14,444
11 Regional Office Rent		6,322		9,593
12 Equipment		(11,736)		(63,036)
13 Other		25,175		22,475
<i>Total Executive Present Law Adjustments</i>	<i>(4.00)</i>	<i>\$291,839</i>	<i>(4.00)</i>	<i>\$274,539</i>

share in consulting expenses which results in \$6,120 in annual expenses.

5) Water Rights Computer Processing - The executive proposes a \$19,500 annual increase in computer processing charges to review and process water rights claims in 13 large river basins. It is estimated that computer processing charges will cost \$3,000 per basin and that the reviews will be split evenly between fiscal 1996 and 1997. One small river basin was processed during fiscal 1994, resulting in computer processing charges estimated to be less than \$1,000.

6) USGS Cooperative Agreement - The executive proposes increases of \$8,016 in fiscal 1996 and \$16,512 in fiscal 1997 for increased costs of stream and river flow gauging. A cooperative agreement with the United States Geological Survey (USGS) allows the state to share these costs on a 50/50 basis with the federal government. Under this proposal, fiscal 1996 costs would be 6 percent higher than base year costs and fiscal 1997 costs would be 6 percent higher than those proposed for fiscal 1996.

7) Broadwater Dam Consulting & Professional Services - The executive proposes a \$37,859 decrease each year for maintenance, repairs, inspections, and compliance with Federal Energy Regulatory Commission mandates at the Broadwater Dam. Base year expenditures were \$124,709, which would be reduced to \$86,750 annually under this executive proposal. Arbitration activities are expected to conclude, so the amount proposed reflects professional services needed for ordinary operations and maintenance activities. The program was appropriated over \$500,000 in fiscal 1994.

8) Water Operations Consulting & Professional Services - The executive proposes a \$16,500 annual increase for consulting services in water operations. Base year expenses were \$8,075 and the executive is proposing \$24,575 annually in five areas: a) \$5,000 annually for hearings officer services in floodplain designation hearings; b) \$200

annually for preparing a quarterly newsletter on floodplain activities; c) \$7,500 annually for the small basins gauging program; d) \$1,875 annually for report writing regarding streams with chronic de-watering designations; and e) \$10,000 annually in legal services for noncompliance with water well drilling construction standards.

9) Printing State Water Plan - The executive proposes increased costs of \$4,500 annually for printing drafts of state water plan sections.

10) Travel - The executive proposes increased travel expenses of \$14,444 annually. Most of the increase is requested because travel was restricted during fiscal 1994 because of vacancy savings. Total requested travel expenses are \$88,748, which is below the three-year average for this program.

11) Regional Office Rent - The executive proposes increases of \$6,322 in fiscal 1996 and \$9,593 in fiscal 1997. This program maintains regional offices in Billings, Bozeman, Glasgow, Havre, Kalispell, Lewistown, Miles City, and Missoula.

12) Equipment - The executive proposes equipment expenditures of \$139,089 in fiscal 1996 and \$86,019 in fiscal 1997, which are \$11,736 and \$63,036 lower, respectively, than fiscal 1994. However, the executive adds \$43,600 in additional equipment in a new proposal. Proposed equipment purchases include vehicles, computers, and office equipment.

Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Rehab DNRC State-Owned Dams	0.00	\$0	\$460,000	0.00	\$0	\$0
2 FWP Water Project Rehab	1.00	0	52,647	1.00	0	52,647
3 Water Resources Equipment	0.00	0	34,100	0.00	0	9,500
4 Personal Services Reductions	0.00	(165,217)	(165,217)	0.00	(166,789)	(166,789)
Totals	1.00	(\$165,217)	\$381,530	1.00	(\$166,789)	(\$104,642)

Executive New Proposals

1) Rehabilitate State Owned Dams - The executive proposes to spend \$460,000 for debt service in fiscal 1996. Loans needed to rehabilitate the Middle Creek Dam and the North Fork of the Smith River Dam are coming due. This new proposal reflects receipt of funds from water users associations, which will be used to repay the loans.

2) FWP Water Project Rehabilitation - The executive proposes \$52,647 annually for 1.0 FTE, related operating expenses, and a minor amount of equipment purchases for maintenance and rehabilitation of FWP dams. This function was approved as a budget modification by the 1993 legislature, but language in HB 2 excludes these expenses from the base and requires a report on the results of the project. The program expended \$56,533 for this function in fiscal 1994.

3) Equipment - The executive proposes equipment purchases of \$34,100 in fiscal 1996 and \$9,500 in fiscal 1997 for vehicles, computers, software, and office equipment.

4) Personal Services Reduction - The executive proposes vacancy savings of \$165,217 in fiscal 1996 and \$166,789 in fiscal 1997, or 4.1 percent. All reductions are applied against general fund.

5706 25 00000

DEPT NAT RESOURCE/CONSERVATION				RESERVED WATER RIGHTS COMP COM				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	11.42	0.00	(0.42)	11.00	0.00	(0.42)	11.00	11.00
Personal Services	391,303	48,060	(18,650)	420,713	51,096	(18,820)	423,579	844,292
Operating Expenses	67,830	2,124	0	69,954	2,434	0	70,264	140,218
Equipment	9,113	4,474	0	13,587	(3,726)	0	5,387	18,974
Debt Service	1,158	(37)	0	1,121	(37)	0	1,121	2,242
Total Costs	\$469,404	\$54,621	(\$18,650)	\$505,375	\$49,767	(\$18,820)	\$500,351	\$1,005,726
Fund Sources								
General Fund	0	169,786	0	169,786	169,786	0	169,786	339,572
State/Other Special	469,404	(115,165)	(18,650)	335,589	(120,019)	(18,820)	330,565	666,154
Total Funds	\$469,404	\$54,621	(\$18,650)	\$505,375	\$49,767	(\$18,820)	\$500,351	\$1,005,726

Program Description

The Reserved Water Rights Compact Commission, created by the legislature in 1979 as part of the water rights adjudication effort, is provided for in section 2-15-212, MCA. The commission negotiates water rights with Indian tribes and federal agencies to establish a formal agreement (compact) on the amount of water to be allocated to each interest. The commission has completed compacts with: the National Park Service for Yellowstone Park, Glacier Park, and the Big Hole Battlefield; the Fort Peck tribe; and the Northern Cheyenne tribe. During the 1997 biennium, the commission will: 1) negotiate with the National Park Service regarding Little Bighorn Battlefield and Bighorn Canyon; 2) negotiate with the Bureau of Land Management regarding the Bear Trap Canyon section of the Madison and the Wild & Scenic River section of the Missouri 3) negotiate with the Chippewa-Cree tribe of the Rocky Boy reservation; 3) negotiate with the Fort Belknap tribe; 4) negotiate with the Crow tribe; and 5) assist the Attorney General's office in litigation with the Blackfeet tribe.

Funding

The Reserved Water Rights Compact Commission is funded with general fund, RIGWAT proceeds, and RIT interest state special revenues. The executive adds general fund to this program to replace RIT interest. For a further discussion, see the "Other LFA Issues" section in the agency summary.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

4) Equipment - The executive proposes equipment purchases of \$13,587 in fiscal 1996 and \$5,387 in fiscal 1997 for computers, software, and office equipment. Equipment purchases in fiscal 1996 would be \$4,474 more than fiscal 1994, while fiscal 1997 purchases would be \$3,726 lower than in the base year.

5) Other - All other adjustments proposed by the executive represent less than one percent of total program expenditures.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$48,060		\$51,096
2 Inflation/Deflation		663		973
3 Fixed Costs		1,231		1,231
<i>Other Executive Present Law Adjustments</i>				
4 Equipment		\$4,474		(\$3,726)
5 Other		193		193
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$54,621</u>	<u>0.00</u>	<u>\$49,767</u>

Executive New Proposals

1) Personal Services Reductions - The executive proposes vacancy savings of \$6,640 in fiscal 1996 and \$6,763 in fiscal 1997, or 1.5 percent. The executive also proposes the elimination of 0.42 FTE and related personal services costs of \$12,010 in fiscal 1996 and \$12,057 in fiscal 1997, for a total reduction of 4.2 percent. All reductions are applied against RIGWAT proceeds and RIT interest.

5706 25 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Personal Services Reductions	(0.42)		(\$18,650)	(0.42)		(\$18,820)
Totals	(0.42)		(\$18,650)	(0.42)		(\$18,820)

DEPT NAT RESOURCE/CONSERVATION**ENERGY DIVISION**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	36.00	(1.00)	(2.00)	33.00	(1.00)	(2.00)	33.00	33.00
Personal Services	1,105,651	202,171	(71,553)	1,236,269	208,616	(72,102)	1,242,165	2,478,434
Operating Expenses	350,366	1,269,003	0	1,619,369	1,248,428	0	1,598,794	3,218,163
Equipment	33,608	(22,616)	0	10,992	(21,616)	0	11,992	22,984
Capital Outlay	250,424	(250,424)	0	0	(250,424)	0	0	0
Grants	275,758	(125,758)	0	150,000	(125,758)	0	150,000	300,000
Debt Service	4,630	414	0	5,044	414	0	5,044	10,088
Total Costs	\$2,020,437	\$1,072,790	(\$71,553)	\$3,021,674	\$1,059,660	(\$72,102)	\$3,007,995	\$6,029,669
Fund Sources								
General Fund	483,647	108,493	0	592,140	108,867	0	592,514	1,184,654
State/Other Special	311,975	853,284	0	1,165,259	815,818	0	1,127,793	2,293,052
Federal Special	900,628	35,200	(71,553)	864,275	59,162	(72,102)	887,688	1,751,963
Expendable Trust	324,187	75,813	0	400,000	75,813	0	400,000	800,000
Total Funds	\$2,020,437	\$1,072,790	(\$71,553)	\$3,021,674	\$1,059,660	(\$72,102)	\$3,007,995	\$6,029,669

Program Description

The Energy Division consists of an administration unit and three bureaus: 1) the Facility Siting Bureau, which does research, performs environmental impact and assessment studies, and analyzes energy projects under either the Major Facility Siting Act (MFSA) or the Montana Environmental Policy Act (MEPA); 2) the Planning and Analysis Bureau, which identifies and evaluates energy issues affecting Montana and formulates recommendations for Montana officials; and 3) the Conservation and Renewable Energy Bureau, which works to encourage energy conservation and reduce the state's dependence on fossil fuels through the promotion of competitively-priced renewable resources.

Funding

The executive funds the Energy Division with general fund, state special revenues, federal revenues, and trust funds. Elements of the Energy Division and related present law funding are shown in Table 6.

Table 6
Energy Division Funding

	-----Fiscal 1996-----				
	Administration	Planning & Analysis	Major Facility Siting	Conservation	Total
General Fund	\$130,315	\$253,848	\$207,977		\$592,140
State Special Revenue					
Major Facility Siting		\$17,367	1,002,633		1,020,000
Alternative Energy				90,476	90,476
Lake Broadview			20,000		20,000
Miscellaneous State Special Revenue				34,783	34,783
Federal Funds					
Energy/FSD	\$10,000	27,875		882,953	920,828
Oil Overcharge Leave				15,000	15,000
Trust Funds					
Rock Creek Trust			400,000		400,000
Total	\$140,315	\$299,090	\$1,630,610	\$1,023,212	\$3,093,227
	-----Fiscal 1997-----				
	Administration	Planning & Analysis	Major Facility Siting	Conservation	Total
General Fund	\$130,821	\$254,802	\$206,891		\$592,514
State Special Revenue					
Major Facility Siting		\$17,548	\$1,002,452		\$1,020,000
Alternative Energy				\$71,429	71,429
Miscellaneous State Special Revenue				36,364	36,364
Federal Funds					
Energy/FSD	\$10,000	28,995		905,795	944,790
Oil Overcharge Leave				15,000	15,000
Trust Funds					
Rock Creek Trust			400,000		400,000
TOTAL	\$140,821	\$301,345	\$1,609,343	\$1,028,588	\$3,080,097

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services	(1.00)	\$202,171	(1.00)	\$208,616
2 Inflation/Deflation		1,977		2,911
3 Fixed Costs		468		468
Other Executive Present Law Adjustments				
4 Consulting, Professional & Other Expenses		\$1,252,948		\$1,234,344
5 Conservation Grants		(125,758)		(125,758)
6 Land		(250,424)		(250,424)
7 Equipment		(22,616)		(21,116)
8 Other		14,024		10,619
Total Executive Present Law Adjustments	(1.00)	\$1,072,790	(1.00)	\$1,059,660

- 1) Personal Services - The reduction of 1.0 FTE reflects a transfer to the Water Resources Division.
- 4) Consulting, Professional and Other Expenses - The executive proposes increased expenses of \$1,252,948 in fiscal 1996 and \$1,234,344 in fiscal 1997. These increases are in three basic areas: a) MFSA and MEPA activities; b) mitigation activities; and c) conservation.

MFSA and MEPA activities (\$989,456 in fiscal 1996 and \$989,215 in fiscal 1997) are requested as a block appropriation amount. Expenditures in this area will only be made if applications for MFSA certification or MEPA permits are requested. The applicants pay fees to cover expenses in these areas.

Mitigation expenditures represent funds that were collected pursuant to siting conditions that require the funds be used for mitigation activities. Lake Broadview mitigation expenditures of \$20,000 are proposed in fiscal 1996. Rock Creek mitigation expenditures of \$400,000 are proposed each year. These expenditures would likely occur in various areas, but the executive has included them in a single block for ease of identification.

Because MFSA, MEPA, and mitigation activities are proposed as single block appropriations, the executive also proposes the removal of \$47,200 in operating expenses incurred in fiscal 1994 that were associated with these activities.

Fiscal 1994 conservation consulting expenditures of \$145,308 are removed. Consulting expenses of \$36,000 in fiscal 1996 and \$37,637 are added to account for increased federal funds that would be used to measure and verify actual savings from the State Building Energy Conservation Program.

- 5) Conservation Grants - The executive proposes a \$125,758 annual decrease in conservation program grants. Grant amounts are based on the amount of federal funds the division estimates it will receive from the Department of Energy (DOE). These DOE funds are awarded to the division to be used for specific purposes. Grants for energy retrofits for schools and hospitals decrease from \$221,140 in fiscal 1994 to \$100,000 annually. The remaining \$50,000 each year is a grant to the Pacific Northwest and Alaska Regional Bioenergy Program.

6) Land Easements - The executive proposes to eliminate land easement expenditures associated with Rock Creek mitigation activities that occurred in fiscal 1994. This proposal reduces expenditures by \$250,424 annually.

7) Equipment - The executive proposes equipment expenditures of \$10,992 in fiscal 1996 and \$11,992 in fiscal 1997, which are \$22,616 and \$21,116, respectively, lower than fiscal 1994. Proposed equipment purchases include computers and related software.

8) Other - All other adjustments proposed by the executive represent less than one percent of total program expenditures.

5706 26 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions	(2.00)		(\$71,553)	(2.00)		(\$72,102)
Totals	(2.00)		(\$71,553)	(2.00)		(\$72,102)

Executive New Proposals

1) Personal Services Reductions - The executive proposes vacancy savings of \$19,932 in fiscal 1996 and \$20,304 in fiscal 1997, or 1.5 percent. The executive also proposes the elimination of 2.0 FTE (project evaluator and administrative support positions) and related personal services costs of \$51,621 in fiscal 1996 and \$51,798 in fiscal 1997, for a total reduction of 5.5 percent. All reductions are in federal revenue. Consequently, general fund now assumes a greater share of total expenditures compared to federal revenue in the 1996 biennium than in the 1994 biennium.

DEPARTMENT OF AGRICULTURE**Agency Summary****BIENNIUM BUDGET COMPARISON**

Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	105.83	(4.67)	101.16	105.83	(4.67)	101.16	105.83	101.16
Personal Services	3,400,943	(158,049)	3,242,894	3,406,286	(158,517)	3,247,769	6,413,012	6,490,663
Operating Expenses	1,799,978	339,023	2,139,001	1,854,496	339,005	2,193,501	3,399,229	4,332,502
Equipment	272,600	39,877	312,477	214,600	130,216	344,816	490,705	657,293
Grants	2,605,602	0	2,605,602	2,605,530	0	2,605,530	5,391,136	5,211,132
Benefits and Claims	0	0	0	0	0	0	1,000	0
Transfers	75,000	0	75,000	75,000	0	75,000	68,750	150,000
Total Costs	\$8,154,123	\$220,851	\$8,374,974	\$8,155,912	\$310,704	\$8,466,616	\$15,763,832	\$16,841,590
Fund Sources								
General Fund	467,120	0	467,120	450,282	0	450,282	902,176	917,402
State/Other Special	6,814,122	99,422	6,913,544	6,828,673	143,245	6,971,918	13,237,821	13,885,462
Federal Special	562,001	121,429	683,430	560,152	167,459	727,611	1,040,897	1,411,041
Proprietary	233,525	0	233,525	237,422	0	237,422	443,314	470,947
Expendable Trust	77,355	0	77,355	79,383	0	79,383	139,624	156,738
Total Funds	\$8,154,123	\$220,851	\$8,374,974	\$8,155,912	\$310,704	\$8,466,616	\$15,763,832	\$16,841,590

Agency Description

The Department of Agriculture, required by Article XII, Section 1 of the Montana constitution, was established to encourage and promote the interests of agricultural and allied industries in Montana. It collects and publishes agricultural production and marketing statistics relating to agricultural products; assists, encourages, and promotes the organization of farmers' institutes, agricultural societies, fairs, and other exhibitions of agriculture; adopts standards for grade and other classifications of farm products; coordinates in devising and maintaining economical and efficient marketing distribution systems; gathers and distributes marketing information concerning supply, demand, price, and movement of farm products; regulates production and marketing of food and fiber products; and registers pesticides and fertilizers and enforces laws pertaining to them.

The department reorganized in fiscal 1994. The Grain Laboratory Division (previously a separate program) is now included in the Agricultural Development Division. The Plant Industry Division (previously a separate program) is now included in the Agricultural Sciences Division. As part of the reorganization, 1.00 FTE was moved from the former Plant Industry Division to the Central Management Division. There were no reductions in FTE or budgeted expenditures as a result of this reorganization.

6201 00 00000								
DEPARTMENT OF AGRICULTURE								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	107.49	(1.66)	(4.67)	101.16	(1.66)	(4.67)	101.16	101.16
Personal Services	3,160,022	240,921	(158,049)	3,242,894	246,264	(158,517)	3,247,769	6,490,663
Operating Expenses	1,553,794	246,184	339,023	2,139,001	300,702	339,005	2,193,501	4,332,502
Equipment	306,805	(34,205)	39,877	312,477	(92,205)	130,216	344,816	657,293
Grants	3,051,768	(446,166)	0	2,605,602	(446,238)	0	2,605,530	5,211,132
Benefits and Claims	1,000	(1,000)	0	0	(1,000)	0	0	0
Transfers	68,750	6,250	0	75,000	6,250	0	75,000	150,000
Total Costs	\$8,142,139	\$11,984	\$220,851	\$8,374,974	\$13,773	\$310,704	\$8,466,616	\$16,841,590
Fund Sources								
General Fund	467,821	(701)	0	467,120	(17,539)	0	450,282	917,402
State/Other Special	6,916,651	(102,529)	99,422	6,913,544	(87,978)	143,245	6,971,918	13,885,462
Federal Special	467,068	94,933	121,429	683,430	93,084	167,459	727,611	1,411,041
Proprietary	216,168	17,357	0	233,525	21,254	0	237,422	470,947
Expendable Trust	74,431	2,924	0	77,355	4,952	0	79,383	156,738
Total Funds	\$8,142,139	\$11,984	\$220,851	\$8,374,974	\$13,773	\$310,704	\$8,466,616	\$16,841,590

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

6201 00 00000							
Executive Budget New Proposals							
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997		Total Funds
		General Fund	Total Funds		General Fund	Total Funds	
1 Personal Services Reductions	0.00	\$0	(\$1,195)	0.00	\$0	(\$1,236)	
2 Pesticide/Ground Water Support	0.00	0	18,584	0.00	0	18,584	
3 ASD-Pesticide Recordkeeping	0.33	0	13,909	0.33	0	13,909	
4 Pesticide Equipment	0.00	0	4,000	0.00	0	50,350	
5 Groundwater Equipment	0.00	0	0	0.00	0	13,800	
6 Feeds & Fertilizers - Equip	0.00	0	16,477	0.00	0	23,466	
7 Personal Services Reductions	(5.00)	0	(158,855)	(5.00)	0	(159,136)	
8 BA223 EPA Grant Funds	0.00	0	150,000	0.00	0	150,000	
9 Grain Sub-Lab	0.00	0	135,310	0.00	0	163,410	
10 Wheat/Barley Equipment	0.00	0	1,200	0.00	0	0	
11 Grain Lab Equipment	0.00	0	6,200	0.00	0	2,500	
12 Personal Services Reductions	0.00	0	(4,779)	0.00	0	(4,943)	
13 BA222 Christmas Tree Promotion	0.00	0	40,000	0.00	0	40,000	
Totals	(4.67)	\$0	\$220,851	(4.67)	\$0	\$310,704	

6201 15 00000								
DEPARTMENT OF AGRICULTURE				CENTRAL MANAGEMENT DIVISION				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	11.50	0.00	0.00	11.50	0.00	0.00	11.50	11.50
Personal Services	372,505	40,134	(1,195)	411,444	41,369	(1,236)	412,638	824,082
Operating Expenses	98,516	23,816	0	122,332	(4,162)	0	94,354	216,686
Equipment	7,991	4,609	0	12,600	14,609	0	22,600	35,200
Total Costs	\$479,012	\$68,559	(\$1,195)	\$546,376	\$51,816	(\$1,236)	\$529,592	\$1,075,968
Fund Sources								
General Fund	130,055	29,900	0	159,955	12,970	0	143,025	302,980
State/Other Special	236,795	26,413	0	263,208	26,413	0	263,208	526,416
Federal Special	76,235	13,336	(1,195)	88,376	13,523	(1,236)	88,522	176,898
Proprietary	26,202	(485)	0	25,717	(485)	0	25,717	51,434
Expendable Trust	9,725	(605)	0	9,120	(605)	0	9,120	18,240
Total Funds	\$479,012	\$68,559	(\$1,195)	\$546,376	\$51,816	(\$1,236)	\$529,592	\$1,075,968

Program Description

The Central Management Division performs technical, fiscal, and administrative support functions of the department's internal operations and related programs. Responsibilities include accounting, budgeting, payroll, personnel, purchasing, property control, data processing, systems analysis and computer programming, equal opportunity administration, and legal support to all programs within the department. Included in this division is the director's office, which provides overall policy development for the department.

Funding

The Central Management Division is funded by assessments on revenue sources which support the department's programs. The percentage rates of 18.8 for fiscal 1996 and 18.2 for fiscal 1997 are applied against the personal services of each program and charged to each account. These percentages are determined by the ratio of the Central Management's budget to the sum of the agency's total personal services and 2.5 percent of grants. Exceptions to this method include: 1) the pesticide and groundwater accounts, which are not assessed a charge for the 1997 biennium; and 2) the grain services account, from which the 1993 legislature authorized a different method of assessing direct costs based on personal services for just the 9.0 permanent FTE, and not the 13.4 temporary FTE.

Department personal services funded from the federal account are assessed at a rate of 20.69 percent, which is slight lower than previous years. Also included in this program's funding is a 2.5 percent assessment on grants administered by the department. General fund finances the balance of the program's budget above the assessments. The executive increases general fund support by transferring \$20,000 of general fund from the Agricultural Sciences Division to this program to fund 1.00 FTE transferred from the former Plant Industries Division. The transfer is due to reorganization.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$40,134		\$41,369
2 Inflation/Deflation		33		67
3 Fixed Costs		17,441		(12,191)
<i>Other Executive Present Law Adjustments</i>				
4 Equipment		\$4,609		\$14,609
5 Other		6,342		7,962
<i>Total Executive Present Law Adjustments</i>	0.00	\$68,559	0.00	\$51,816

1) Personal Services - The increase is due primarily to unspent personal services in fiscal 1994, offset by retirement payouts and other non-budgeted expenses. Department reorganization added a 1.00 FTE programmer analyst from the former Plant Industry Division before it was combined with the Agricultural Sciences Division. Also as part of the reorganization, the deputy director position was transferred to the administrator position for the Agricultural Development Division, and the FTE in Central Management was filled with a lower grade position. However, this reduction is off-set by an equal increase in the Agricultural Development Division.

3) Fixed Costs - Fixed costs increase in fiscal 1996 and decrease in fiscal 1997 due to the \$30,432 biennial appropriation requested in fiscal 1996 to pay Legislative Auditor fees.

4) Equipment - The executive requests replacement equipment purchases of \$12,600 in fiscal 1996 and \$22,600 in fiscal 1997. These include: a) 3 printers - \$5,000 in fiscal 1996 and \$1,000 in fiscal 1997; b) 4 computers - \$4,600 each fiscal year; c) 1 facsimile - \$3,000 in fiscal 1996; and d) 1 computer file server - \$17,000 in fiscal 1997. This level exceeds an historical level of about \$7,100 each year.

5) Other - Other increases include additional funding for dues, public relations, and the statewide cost allocation plan.

6201 15 00000

Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Personal Services Reductions			(\$1,195)			(\$1,236)
Totals			(\$1,195)			(\$1,236)

Executive New Proposals

1) Personal Services Reduction - The executive requests that a vacancy savings rate of 0.3 percent be applied for a decrease of \$1,195 federal funds in fiscal 1996 and \$1,236 in fiscal 1997. Even though the executive proposes a reduction in personal services funding, it requests \$2,936 each year in present law for overtime expenses.

DEPARTMENT OF AGRICULTURE
 Program Summary

AGRICULTURAL SCIENCES DIV.

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	53.96	(1.33)	(4.67)	47.96	(1.33)	(4.67)	47.96	47.96
Personal Services	1,607,717	135,023	(152,075)	1,590,665	137,698	(152,338)	1,593,077	3,183,742
Operating Expenses	684,171	109,645	175,713	969,529	159,087	175,695	1,018,953	1,988,482
Equipment	168,649	27,751	20,477	216,877	(61,349)	87,616	194,916	411,793
Grants	2,220,452	(633,150)	0	1,587,302	(633,222)	0	1,587,230	3,174,532
Benefits and Claims	1,000	(1,000)	0	0	(1,000)	0	0	0
Total Costs	\$4,681,989	(\$361,731)	\$44,115	\$4,364,373	(\$398,786)	\$110,973	\$4,394,176	\$8,758,549
Fund Sources								
General Fund	138,300	(31,410)	0	106,890	(31,670)	0	106,630	213,520
State/Other Special	4,148,196	(412,862)	(38,509)	3,696,825	(447,687)	(17,722)	3,682,787	7,379,612
Federal Special	390,833	81,597	82,624	555,054	79,561	128,695	599,089	1,154,143
Proprietary	4,660	944	0	5,604	1,010	0	5,670	11,274
Total Funds	\$4,681,989	(\$361,731)	\$44,115	\$4,364,373	(\$398,786)	\$110,973	\$4,394,176	\$8,758,549

Program Description

The Agricultural Sciences Division (ASD) administers, manages, coordinates, and evaluates the major activities of: 1) pesticide and pest management; 2) analytical laboratory services; 3) noxious weed management; 4) agricultural chemical groundwater management; and 5) vertebrate pest management. This program administers the Montana Pesticides Act, Agricultural Chemical Groundwater Protection Act, Crop Insect Detection Act, Vertebrate Pest Management Act, Noxious Weed Trust Fund Act, elements of the Weed Assistance Act, and the department's Chemical Analytical Laboratory.

The Plant Industry Division was combined with this program in fiscal 1994. Duties include administering agricultural programs relating to the production, manufacturing, and marketing of commodities exported from or distributed in the state. Services are provided to the industry by: 1) performing professional insect/disease surveys; 2) performing medicated feed mill inspections; 3) issuing official grade commodity certificates; 4) issuing dealer licenses/permits; 5) registering products; and 6) performing analytical analyses of bees, seeds, fertilizer, feed, and grains. Program staff provide technical/scientific information upon request to industry and the general public. Staff investigate and resolve consumer complaints ranging from product contamination and quality control to elevator bankruptcies and non-payment for products.

Funding

The Agricultural Sciences Division's largest funding source is state special revenue collected from the \$1.50 noxious weed vehicle registration fee and noxious weed trust interest. Pesticide registration fees of \$150 per product are allocated \$80 to the groundwater state special revenue account and \$70 to the pesticide management state special revenue account. The pesticide management account also receives revenue from pesticide dealer, commercial and governmental applicator, and private farm applicator license fees. SB 334 (1993 legislature) increased pesticide dealer and applicator license fees 67 percent, private farm applicator license fees 233 percent, and governmental applicator license fees 50 percent to fund a disposal program for waste pesticides and pesticide containers. A portion of the farm applicator fee increase is allocated to the MSU Extension Service for educational and training programs. Other state special revenue is from commercial feed and fertilizer registration and inspection fees; mint assessments; anhydrous ammonia inspection fees; commodity inspection, testing, and license fees; and commercial dealer and public warehouse operators license fees. Federal funds are from the market services account, which completely funds the medicated

feed program and portions of the pesticide and groundwater programs supported by the EPA. The proprietary funding is collected from alfalfa leaf cutter bee assessments.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services	(1.33)	\$135,023	(1.33)	\$137,698
2 Inflation/Deflation		8,516		14,340
3 Fixed Costs		13,461		15,248
Other Executive Present Law Adjustments				
4 Contracted Services		\$40,635		\$63,916
5 Reorganization		41,918		60,068
6 Equipment		27,751		(61,349)
7 Noxious Weed Grants		(633,150)		(633,222)
8 Other		4,115		4,515
Total Executive Present Law Adjustments	(1.33)	(\$361,731)	(1.33)	(\$398,786)
LFA Issues With Executive PL Adjustments				
4 Contracted Services				

1) Personal Services - The increase is due primarily to unspent personal services in fiscal 1994 offset by retirement payouts and other non-budgeted expenses. In addition, in fiscal 1994 the department transferred \$33,265 of personal services appropriations to contract for federally funded pesticide services instead of filling the position budgeted for that purpose. This position is fully funded in the 1997 biennium executive request.

4) Contracted Services - The executive requests \$321,017 in fiscal 1996 and \$344,298 in fiscal 1997 in contracted service authority for four services: a) pesticide management - \$253,079 state special revenue in fiscal 1996 and \$257,934 in fiscal 1997; b) groundwater management - \$18,446 state special revenue in fiscal 1996 and \$41,875 in fiscal 1997; c) agricultural commodities - \$10,000 state special revenue in fiscal 1996 and \$5,000 in fiscal 1997; and d) Montana mint - \$39,492 state special revenue in fiscal 1996 and \$39,489 in fiscal 1997.

Pesticide management contracts include waste pesticide and container collection (\$198,445 each year), farm applicator training by the Cooperative Extension Service (\$46,800 in fiscal 1996 and \$44,400 in fiscal 1997), pesticide retailer and public education contracts with the Cooperative Extension Service (\$7,834 in fiscal 1996 and \$10,000 in fiscal 1997), and special projects (\$5,089 in fiscal 1997). Groundwater management contracts consist of groundwater

pesticide and fertilizer investigation and monitoring by MSU and the Montana Bureau of Mines. Agricultural commodity contracts include commodity dealers and warehouse operators education and licensing with MSU, and training and education of staff on nursery plants, diseases, weeds, and insects. The Montana mint program contracts with MSU and the Mint Industry Research Council to conduct research on mint production, pest control, and plant nutrition. The requested authority is a 14 percent increase in fiscal 1996 and 23 percent in fiscal 1997 to the actual fiscal 1994 base of \$280,382.

LFA Issue - The department conducted one waste pesticide and pesticide container collection program in fiscal 1994. In anticipation of additional programs, \$145,790 of anticipated fiscal 1994 contracted services expenditures were accrued (recorded as an expenditure in anticipation of actual expenditures). However, the expenditures did not take place and this accrual has been reversed. As a result, actual fiscal 1994 expenditures are overstated by \$145,790. Therefore, adjusted base expenditures for contracted services in fiscal 1994 are \$134,592, not \$280,382 as stated above. The executive request is a 138.5 percent increase in fiscal 1996 and 155.8 percent in fiscal 1997 over the adjusted base.

5) Reorganization - The executive requests an additional \$41,918 in fiscal 1996 and \$60,068 in fiscal 1997 due to the reorganization of the former Plant Industry Division to this program. Increased costs include: a) \$16,300 in fiscal 1997 for training materials related to agricultural commodities; b) \$24,907 in fiscal 1996 and \$24,480 in fiscal 1997 for increased travel expenses; and c) \$17,011 in fiscal 1996 and \$19,288 in fiscal 1997 for increased travel related expenses and training material. Due to the reorganization, staff traveled less than previous years. According to the department, reorganization also gave the department opportunity to evaluate staff and identify needs for increased staff training.

6) Equipment - The executive requests replacement equipment purchases of \$196,400 in fiscal 1996 and \$107,300 in fiscal 1997, including: a) 19 computers - \$24,900 in fiscal 1996 and \$21,600 in fiscal 1997; b) 5 vehicles - \$54,500 in fiscal 1996 and \$12,700 in fiscal 1997; c) laboratory equipment - \$112,000 in fiscal 1996 and \$70,000 in fiscal 1997; and d) office and field monitoring equipment - \$5,000 in fiscal 1996 and \$3,000 in fiscal 1997. The executive is also requesting an additional \$20,477 in fiscal 1996 and \$87,616 in fiscal 1997 for new equipment in three new proposals. For further explanation, see items 3, 4, and 5 in the "Executive New Proposals" section.

7) Noxious Weed Grants - The executive requests \$1.6 million state special revenue each fiscal year for noxious weed grants, a decrease of \$0.6 million per year. Fiscal 1994 expenditures were high due to appropriations by the 1993 legislature to spend excess revenue available since the noxious weed trust reached the statutory cap of \$2.5 million. The grants requested for the 1997 biennium reflect on-going revenue available for grants from the noxious weed trust interest and noxious weed vehicle registration fees. Money is given to county weed districts, universities, and other groups for noxious weed control, research, and education.

8) Other - Other present law increases include increases for rent, dues, subscriptions, and state funds indirect cost recovery.

Executive New Proposals

1) Pesticide/Groundwater Support - The executive requests an additional \$18,584 each year (50 percent state special, 50 percent federal) in contracted services to contract with a clerical person to assist the Technical Services Bureau in processing and issuing pesticide registration and licenses and filing related material. The position would also support the Field Services Bureau in preparing, typing, and filing groundwater correspondence and management plans.

2) ASD - Pesticide Record-Keeping - The executive requests an additional 0.33 FTE and \$13,909 federal funds each fiscal year to enter into a cooperative agreement with USDA to assist certified farm applicators to comply with pesticide application records. Approximately 150 farm applicators will be visited each year and provided educational

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Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Pesticide/Ground Water Support	0.00	\$0	\$18,584	0.00	\$0	\$18,584
2 ASD-Pesticide Recordkeeping	0.33	0	13,909	0.33	0	13,909
3 Pesticide Equipment	0.00	0	4,000	0.00	0	50,350
4 Groundwater Equipment	0.00	0	0	0.00	0	13,800
5 Feeds & Fertilizers - Equip	0.00	0	16,477	0.00	0	23,466
6 Personal Services Reductions	(5.00)	0	(158,855)	(5.00)	0	(159,136)
7 BA223 EPA Grant Funds	0.00	0	150,000	0.00	0	150,000
Totals	(4.67)	\$0	\$44,115	(4.67)	\$0	\$110,973

materials and assistance with record-keeping requirements. The USDA will supply the educational materials and train department staff. The federal Food, Agriculture, Conservation and Trade Act of 1990 mandated record-keeping requirements for certified applicators of restricted use pesticides.

3) Pesticide Equipment - The executive requests \$4,000 federal funds in fiscal 1996 and \$50,350 in fiscal 1997 to purchase: a) a new vehicle (\$15,200 in fiscal 1997); b) a new automatic extraction unit for extraction of pesticide residue from soil and vegetation (\$31,150 in fiscal 1997); and c) computer software for the laboratory information system (\$4,000 each fiscal year).

4) Groundwater Equipment - The executive requests \$13,800 state special revenue in fiscal 1997 to: a) replace a Bucki evaporator for the laboratory (\$4,000); b) purchase two new permanent well monitoring devices (\$3,000); and c) purchase a new Trimbel geographic position system (\$6,800).

5) Feed and Fertilizer Equipment - The executive requests \$16,477 state special revenue in fiscal 1996 and \$23,466 in fiscal 1997 to purchase new equipment. The fiscal 1996 request is for an amino acid analyzer to test for nutritional value of feed including lysine, arginine, leucine, proline, and other amino acids. The fiscal 1997 request is to purchase basic components of ion chromatography to determine inorganic anions (chloride, fluoride, phosphate, sulphate, nitrate, and iodine) in feed and fertilizer samples.

6) Personal Services Reductions - The executive requests a reduction of 5.00 FTE and \$152,882 in fiscal 1996 and \$152,958 in fiscal 1997. Positions to be eliminated include one chemist, three agricultural specialists, and a training and development specialist. In addition, a vacancy savings rate of 0.4 percent was applied for a decrease of \$5,973 in fiscal 1996 and \$6,178 in fiscal 1997. Areas of reduced services were not identified.

LFA Issue - Four issues are raised with the proposed reduction.

a) The executive requests additional funding in present law for employee and pesticide applicator training (see numbers 1 and 5 under the "Executive Present Law" section), but a training and development specialist is proposed to be eliminated.

b) The executive requests new laboratory equipment through new proposals (see numbers 3 and 5) to provide additional chemistry services currently not being provided, but it also requests the elimination of a chemist.

c) The executive requests present law increases for additional travel and related expenses for more pesticide and agricultural inspections than were conducted in fiscal 1994, but it requests a reduction of 3.00 FTE agricultural inspectors in this new proposal.

d) This new proposal reduces personal services funding by \$5,973 in fiscal 1996 and \$6,178 in fiscal 1997 through vacancy savings, while providing \$7,420 each year of overtime funding in present law.

7) BA223 EPA Grant Funds - The executive requests \$150,000 additional federal funds each year to supplement present law funding for: a) updating EPA certification standards for restricted use pesticides; b) full implementation of the groundwater pesticide program; c) implementation of pesticide mixing/loading and storage standards; and d) completion of the pesticide worker protection program and the pesticide endangered species program. If approved, this new proposal would allow the legislature to appropriate additional federal funding that the department has historically received through the budget amendment process.

LFA Issue - In fiscal 1994, the department received authority for 1.72 FTE and \$134,530, and in fiscal 1992, received authority for 3.50 FTE and \$213,029 for these same purposes. Although funding received in the past through budget amendment contained additional FTE, this new proposal requests no additional FTE. However, the proposal does request \$104,461 to contract for additional personnel assistance. This proposal would provide services equivalent to the work of 2.00 FTE.

DEPARTMENT OF AGRICULTURE
 Program Summary

AGRICULTURAL DEVELOPMENT

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	42.03	(0.33)	0.00	41.70	(0.33)	0.00	41.70	41.70
Personal Services	1,179,800	65,764	(4,779)	1,240,785	67,197	(4,943)	1,242,054	2,482,839
Operating Expenses	771,107	112,723	163,310	1,047,140	145,777	163,310	1,080,194	2,127,334
Equipment	130,165	(66,565)	19,400	83,000	(45,465)	42,600	127,300	210,300
Grants	831,316	186,984	0	1,018,300	186,984	0	1,018,300	2,036,600
Transfers	68,750	6,250	0	75,000	6,250	0	75,000	150,000
Total Costs	\$2,981,138	\$305,156	\$177,931	\$3,464,225	\$360,743	\$200,967	\$3,542,848	\$7,007,073
Fund Sources								
General Fund	199,466	809	0	200,275	1,161	0	200,627	400,902
State/Other Special	2,531,660	283,920	137,931	2,953,511	333,296	160,967	3,025,923	5,979,434
Federal Special	0	0	40,000	40,000	0	40,000	40,000	80,000
Proprietary	185,306	16,898	0	202,204	20,729	0	206,035	408,239
Expendable Trust	64,706	3,529	0	68,235	5,557	0	70,263	138,498
Total Funds	\$2,981,138	\$305,156	\$177,931	\$3,464,225	\$360,743	\$200,967	\$3,542,848	\$7,007,073

Program Description

The Agricultural Development Division administers programs to promote Montana agriculture through market development and enhancement. Assistance is given toward commercialization of traditional as well as innovative agricultural products and processes. The program provides support to the Alfalfa Seed Committee, the Montana Wheat and Barley Committee, the Montana Agricultural Development Council, and the Board of Hail Insurance. The division is comprised of the Rural Development, Wheat and Barley, and State Grain Laboratory bureaus. The State Grain Laboratory program was combined with this program in 1994. This function provides grades, protein determinations, malting barley germinations, and falling number tests for contract settlement prices between buyers and sellers of grain crops in Montana.

Funding

The Agricultural Development Division is funded mostly with state special revenue consisting of wheat and barley sale taxes, grain testing fees, 0.76 percent of coal severance tax collections, alfalfa seed assessments, income tax check-offs for Agriculture in Montana Schools, and private donations. For a further discussion of the wheat and barley account, see the "Other LFA Issues" section. The coal severance tax collections fund grants and operations in the Agriculture Development Council for the Montana Growth Through Agriculture Act. The 1993 legislature replaced expendable trust funds with proprietary funds due to the passage of SB 85, which authorized the funding of the Crop Hail Insurance Unit from the proprietary fund rather than the expendable trust fund. The expendable trust fund finances the rural development program from interest earnings on rural development loans. General fund finances 88.1 percent of this division's administration (see the "Other LFA Issues" section), all of the agricultural marketing program, and 60.8 percent of the agricultural statistics program.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(0.33)	\$65,764	(0.33)	\$67,197
2 Inflation/Deflation		6,306		10,015
3 Fixed Costs		16,330		17,475
<i>Other Executive Present Law Adjustments</i>				
4 Agriculture in Montana Schools		\$6,800		\$6,800
5 Wheat and Barley Committee Dues		63,137		92,137
6 Wheat and Barley Grants		167,000		167,000
7 Agriculture Development Council Grants/Transfers		26,154		26,154
8 Equipment		(66,566)		(45,465)
9 Other		20,231		19,430
<i>Total Executive Present Law Adjustments</i>	<i>(0.33)</i>	<i>\$305,156</i>	<i>(0.33)</i>	<i>\$360,743</i>
<i>LFA Issues With Executive PL Adjustments</i>				
4 Agriculture in Montana Schools		(10,977)		(10,977)
5 Wheat and Barley Committee Dues				
6 Wheat and Barley Grants				
7 Agriculture Development Council Grants/Transfers		90,000		90,000

1) Personal Services - The increase is due to the net of reversions, the pay plan authorized by the 1993 legislature, increased benefits, retirement buyouts, termination payouts, and greater work hours.

4) Agriculture in Montana Schools - The executive estimates that revenue from the Agriculture in Montana Schools voluntary income tax check-off (section 15-30-152, MCA) will be \$10,977 each fiscal year, a \$6,800 increase over fiscal 1994 expenditures.

LFA Issue - HB 689 (1993 session) provided that this section be eliminated if less than \$20,000 was raised in the past two consecutive tax years, beginning tax year 1993. Revenue raised by the tax check-off for this program was \$4,480 in tax year 1993 and \$8,652 in tax year 1992. Since it is unlikely that more than \$20,000 will be collected in tax year 1994, this tax check-off program will probably terminate January 1, 1995.

OPTION: Eliminate the \$10,977 state special revenue requested each year from the Agriculture in Montana Schools tax check-off.

5) Wheat and Barley Committee Dues - The executive requests \$483,000 state special revenue in fiscal 1996 and \$512,000 in fiscal 1997 to pay dues to professional organizations, an increase of \$63,137 in fiscal 1996 and \$92,137 in fiscal 1997 over the \$419,863 spent in fiscal 1994. The revenue is collected from sales taxes on the sale of wheat and barley to fund research and marketing. As Table 1 shows, dues historically are a large percentage of the budget and have increased 76 percent from fiscal 1990 to fiscal 1997, an average annual increase of 8.42 percent. The executive request includes dues to: a) U.S. Wheat Associates (USWA) - \$352,000 in fiscal 1996 and \$381,000 in fiscal

1997; b) U.S. Feed Grains Council - \$80,000 each year; c) Wheat Export and Trade Education Committee - \$18,000 each year; d) Wheat Foods Council - \$15,000 each year; e) National Barley Foods Council - \$15,000 each year; and f) Wheat Quality Council - \$3,000 each year. The largest portion of dues goes to the USWA and is determined by the organization's annual budget and a 5-year rolling average of wheat production in each of the participating states. The executive anticipates that Montana wheat production will remain relatively constant, but that the budget for the USWA will steadily increase.

LFA Issue - Even though the executive is requesting additional authority to pay dues, in the past excess dues authority was used for other purposes. In fiscal 1994, excess dues authority was used to fund a \$5,793 salary increase for the executive director of the Wheat and Barley Committee. This exempt position salary was budgeted at \$48,000 for the 1995 biennium and is budgeted in the 1997 biennium request at \$53,793, a 12.1 percent increase. Also in fiscal 1994, \$4,002 was used to pay termination and retirement costs in the agricultural statistics program.

6) Wheat and Barley Committee Grants - The executive requests \$968,300 state special revenue each year in grants for wheat and barley research and marketing, an increase of \$167,000 each fiscal year. As Table 1 shows, grants historically are a large percentage of the budget and have increased 54 percent from fiscal 1990 to fiscal 1997, an average annual increase of 6.38 percent. Anticipated grants include: a) universities - \$650,000; b) professional societies - \$290,000; c) research grants - \$11,800; d) special projects - \$10,000; e) educational grants - \$5,000; and f) state agencies - \$1,500.

Fiscal Year	Grants			Dues		
	Amount	Percent Increase	Percent of Expenditures	Amount	Percent Increase	Percent of Expenditures
1997*	\$968,300	0.00%	54.10%	\$512,000	6.00%	28.60%
1996*	968,300	14.63%	55.20%	483,000	-5.57%	27.50%
1995**	844,754	5.43%	52.40%	511,485	21.82%	31.70%
1994	801,220	25.35%	53.40%	419,863	-0.33%	28.00%
1993	639,193	-14.58%	49.60%	421,248	3.49%	32.70%
1992	748,303	-5.31%	53.50%	407,056	21.77%	28.40%
1991	790,227	25.86%	58.20%	334,280	14.99%	24.00%
1990	627,883	NA	56.70%	290,694	NA	25.50%

* Executive Budget request
** Appropriated

LFA Issue - Even though the executive is requesting additional authority to pay grants, in the past excess grant authority was used for other purposes. In fiscal 1994, \$30,000 of excess grant authority was used to fund overtime payments in the State Grain Laboratory. In the 1993 biennium, \$217,585 in excess grant authority was used to fund: a) a 41.5 percent salary increase for the Executive Director from \$33,915 to \$48,000 - \$14,085; b) additional dues - \$134,100; c) committee travel and a trip to Russia - \$15,000; d) additional equipment - \$18,000; e) other personal services (vacancy savings and benefits) - \$9,100; and f) supplies and communications - \$27,300.

7) Agriculture Development Council Grants/Transfers - A total of 0.76 percent of coal tax collections are allocated to the Agriculture Development Council for the administration of the Montana Growth Through Agriculture Act. The Executive Budget contains \$125,000 each year for grants/transfers (the \$75,000 request for transfer authority shown in the main table represents the amount the council anticipates granting to the Montana Department of Agriculture).

LFA Issue - The Executive Budget also requests that \$90,000 each year of these funds be appropriated directly to the Economic Development Division in the Department of Commerce (see related issue in the Department of Commerce). Section 90-9-202, MCA, gives authority to the Agriculture Development Council to make investments or loans from the coal tax collections for agricultural development projects. An appropriation of these funds to another entity could usurp the council's statutory function to prioritize grant allocations. Language usually included in the general appropriations act for the Department of Agriculture authorizes additional appropriation authority to another state agency equal to the amount granted to it by the council. If the council approves a grant to the Department of Commerce, a direct appropriation in the Department of Commerce would be unnecessary.

OPTION: Increase the Agriculture Development Council's grant authority in the Department of Agriculture by \$90,000 each year. Eliminate the \$90,000 each year of coal severance tax funding in the Department of Commerce Economic Development Division. Include language in the general appropriations act (Department of Agriculture) authorizing additional appropriation authority to another state agency equal to the amount granted to it by the council.

8) Equipment - The executive requests \$63,600 in fiscal 1996 and \$84,700 in fiscal 1997 for replacement equipment expenditures. These include: a) grain laboratory equipment -\$14,000 in fiscal 1996 and \$42,000 in fiscal 1997; b) 2 vehicles - \$18,000 in fiscal 1996 and \$19,800 in fiscal 1997; c) 19 computers and printers - \$31,600 in fiscal 1996 and \$19,800 in fiscal 1997; and d) a display booth - \$3,100 in fiscal 1997.

9) Other - Miscellaneous increases to the present law total about 2.6 percent of fiscal 1994 operating expenditures.

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Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Grain Sub-Lab	0.00	\$0	\$135,310	0.00	\$0	\$163,410
2 Wheat/Barley Equipment	0.00	0	1,200	0.00	0	0
3 Grain Lab Equipment	0.00	0	6,200	0.00	0	2,500
4 Personal Services Reductions	0.00	0	(4,779)	0.00	0	(4,943)
5 BA222 Christmas Tree Promotion	0.00	0	40,000	0.00	0	40,000
Totals	0.00	\$0	\$177,931	0.00	\$0	\$200,967

Executive New Proposals

1) Grain Sub-Lab - The executive requests an additional \$135,310 state special revenue in fiscal 1996 and \$163,410 in fiscal 1997 to establish another state grain laboratory in southeastern Montana in addition to the current laboratory in Great Falls. According to the executive, more prompt official inspection and grading services for contract settlement on grain transactions would be provided to growers in this area. The laboratory would be entirely self-sufficient with fees charged for grading services. The executive states that if the new laboratory is not self-sufficient, it would be terminated. A feasibility study being conducted by the department was not available at the time this report was written. The study will evaluate the economic viability of the new laboratory and its effect on the current state grain laboratory.

The new proposal does not contain the estimated 2.50 FTE needed to establish the laboratory, but instead requests contracted services of \$90,263 each year to provide staff funding. It is expected that two certified grain inspectors would be moved from the laboratory in Great Falls. For fiscal 1996, the back-up grain analyzer and dockage machine from the Great Falls laboratory would be used in the new laboratory. If the laboratory is terminated, the equipment would revert back to the Great Falls laboratory. New equipment totaling \$42,100 would be purchased in fiscal 1997 if the laboratory proved to be self-sufficient. The executive is requesting \$84,000 of new equipment in the 1997 biennium for the Great Falls laboratory in the present law budget.

2) Wheat/Barley Equipment - The executive requests \$1,200 state special revenue in fiscal 1996 to purchase a new multi-media video cassette player/television.

3) Grain Lab Equipment - The executive requests \$6,200 state special revenue in fiscal 1996 and \$2,500 in fiscal 1997 to purchase new equipment, including: a) a new multi-media video cassette player/television - \$1,200 in fiscal 1996; b) a new computer/printer -\$2,500 in fiscal 1997; and c) a new telephone system - \$5,000 in fiscal 1996.

4) Personal Services Reductions - The executive applies a 0.8 percent vacancy savings rate to reduce personal services in the grain laboratory program.

LFA Issue - Although this new proposal would decrease personal services funding, the executive includes in present law an anticipated \$75,000 in overtime for this program. In addition, the executive requests funding to provide additional grain testing services by establishing a new grain laboratory (see the Grain Sub-Lab new proposal above).

5) BA222 Christmas Tree Promotion - The executive requests \$40,000 each year of federal funds received from the USDA to develop Christmas tree markets in Taiwan and the Republic of China. This request will allow the legislature to appropriate additional federal funds the department has received in 3 of the last 5 years through the budget amendment process. The department received \$18,000 in authority for this purpose in fiscal 1994, \$12,000 in fiscal 1992, and \$12,000 in fiscal 1990 through budget amendments reviewed by the Legislative Finance Committee. This request significantly exceeds past grant levels.

Other LFA Issues

Agricultural Development Division Administration - Administration of the division is provided by 1.34 FTE, including the division administrator, and associated operating and equipment expenses. Assistance is provided to the various programs in the division including agricultural finance, hail insurance, agricultural marketing, agricultural statistics, Agriculture Development Council, Wheat and Barley Committee, and the state grain laboratory. Although assistance is provided to all programs, those funded through state special and proprietary revenue do not contribute to the administration funding. The executive funds the division programs 3.7 percent general fund and 96.3 percent other funds (state special, proprietary, and expendable trust funds), but funds the administration of the division 88.1 percent general fund and 11.9 percent state special revenue (received through the Agriculture in Montana Schools tax check-off).

If the legislature wishes to fund the administration of the division in a manner more representative of the program funding sources receiving the services, \$77,634 general fund in fiscal 1996 and \$77,482 in fiscal 1997 would be replaced by the same amounts of state special revenue, proprietary, and expendable trust funds.

Wheat and Barley Committee Fund Balance - The Wheat and Barley Committee is charged with production and marketing research for wheat and barley. The committee is funded with a sales tax on wheat and barley grown and sold in Montana. Currently, the tax is 10 mills per bushel of wheat and 15 mills per hundredweight of barley, the maximum allowed by statute (section 80-11-206, MCA). Revenue and interest is deposited to the wheat and barley account. The current tax rate set by the committee is higher than required to support the present law level of expenditures. As Table 2 shows, the fund balance is expected to increase from \$2.3 million at the end of fiscal 1994 to \$2.8 million at the end of fiscal 1997, an increase of \$432,000 in three years. This upward trend in fund balance has continued since fiscal 1989 when the account had a balance of \$321,640. Although the fund balance has steadily increased, the committee has maintained the sales tax at the maximum allowed by statute.

OPTION: The legislature may wish to amend section 80-11-206, MCA, and reduce the maximum allowed sales tax on wheat and barley.

Agriculture Development Council Loans & Grants

History - The 1987 legislature enacted the Growth Through Agriculture Act and established the Agriculture Development Council to administer its agricultural investment and marketing programs. The legislation provided

Table 2
Wheat & Barley Research and Marketing Account

	Actual Fiscal 1994	Appropriated Fiscal 1995	Executive Fiscal 1996	Executive Fiscal 1997
Beginning Balance	\$1,923,056	\$2,318,266	\$2,524,703	\$2,660,536
Revenues				
Wheat sales tax	\$1,579,667	\$1,531,950	\$1,579,667	\$1,579,667
Barley sales tax	322,569	305,000	322,569	322,569
Interest Earnings	71,712	60,000	71,712	71,712
Property sold		100	50	50
Total Funds Available	\$3,897,004	\$4,215,316	\$4,498,701	\$4,634,534
Disbursements				
Wheat & Barley Committee	\$1,501,575	\$1,613,460	\$1,748,922	\$1,784,019
Agricultural Marketing	1,724	3,700	0	0
Agricultural Statistics	36,001	32,500	36,000	36,000
Central Management	39,438	49,566	52,043	52,043
Ag. Sciences Administration	0	2,555	0	0
New Proposals			1,200	
Vacancy Savings		(11,168)		
Total Disbursements	\$1,578,738	\$1,690,613	\$1,838,165	\$1,872,062
Ending Balance	\$2,318,266	\$2,524,703	\$2,660,536	\$2,762,472

0.76 percent of coal severance tax collections to fund the program. The council is required to: 1) make investments or loans in agricultural development projects; 2) assist in placing one full-time marketing person in Japan or another Pacific Rim country; 3) provide assistance in trade missions on a cost-share basis; and 4) assist in other means of enhancing Montana's agricultural markets.

Since fiscal 1988, the council has spent and loaned \$3,314,904 of coal severance tax proceeds. Of this amount: 1) \$2,350,305 was granted; 2) \$519,200 was loaned; and 3) \$445,399 or 13.4 percent of the total was spent for program administration.

Loans - The council has made 12 seed capital loans totaling \$519,200. Outstanding loan balances as of the end of fiscal 1994 totaled \$402,168. Five loans totaling \$227,848, or almost 44 percent of the loan totals, have been or are in the process of being written off by the council as uncollectible and the collateral sold (collateral is insufficient to pay the outstanding principle of the loans). The council requires all loan recipients to pay interest at a rate of 7 percent. At the end of fiscal 1994, \$69,637 in interest had been paid. If the funds had been invested with the Board

of Investments at rates received for other investments of coal severance tax proceeds, instead of invested in loans, interest received would have totaled \$236,118.

Investing in Growth Through Agriculture loans has resulted in a direct cost of \$227,848 in principle and \$166,481 in foregone interest at the end of fiscal 1994.

Grants - Since fiscal 1988, the council has granted \$2.4 million of coal severance tax proceeds through the Growth Through Agriculture Act. Although the act does not give the council specific authority to grant funds, statute defines "investment" as an award of money, with or without repayment requirements, for specified purposes. Of the total funds granted, \$1.4 million or 61.0 percent was granted to other state agencies including the Department of Commerce, Department of Agriculture, and the Montana University System. Private entities and organizations received the remaining 39 percent. Grants to the Department of Commerce were spent in its international trade program. Grants to the Department of Agriculture were spent by the department to fund 1.00 FTE and associated operating expenses for a marketing specialist. If all the grant funds had been invested with the Board of Investments at rates received for other investments of coal severance tax proceeds, instead of invested in "loans with or without repayment requirements", interest received would have totaled \$739,118.

Investing in Growth Through Agriculture grants has resulted in a direct cost of \$2,350,305 in coal severance tax proceeds and \$739,118 in foregone interest at the end of fiscal 1994.

Benefits - The department estimates that the cumulative Montana economic impact of all grants and loans is \$34.1 million and currently provides employment for 65 people. Included in the total are the loan and grant amounts, matching funds for grants, grantee's and borrower's estimates of economic impact since project beginning, and borrower's estimates of fixed asset investment. The greatest impacts are from the following three loans and include the value of all the companies' assets including economic impact from funding sources other than Growth Through Agriculture: 1) Nurture, Inc. - \$24.05 million; 2) Centennial Foods, Inc. - \$6.00 million; and 3) Positive Systems, Inc. - \$1.96 million. These companies had combined loans of \$150,000.

The department's estimate of benefits may be overstated due to: 1) inclusion of capital investment and other benefits not directly associated with the grants and loans; and 2) exclusion of losses due to loan defaults.

Summary - The cost of this program has been \$3.5 million in the seven years it has been in effect. The legislature may wish to review the stated benefits provided by the department compared to the costs of the program.

DEPARTMENT OF COMMERCE**BIENNIUM BUDGET COMPARISON**

Agency Summary

Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	334.81	(3.00)	331.81	334.81	(3.00)	331.81	338.03	331.81
Personal Services	11,647,500	(162,196)	11,485,304	11,702,013	(165,649)	11,536,364	22,456,532	23,021,668
Operating Expenses	19,273,518	621,110	19,894,628	18,769,327	470,625	19,239,952	38,061,311	39,134,580
Equipment	267,405	363,786	631,191	248,490	66,400	314,890	989,216	946,081
Local Assistance	1,827,000	0	1,827,000	1,881,810	0	1,881,810	3,765,270	3,708,810
Grants	38,604,330	0	38,604,330	31,117,460	0	31,117,460	59,405,182	69,721,790
Transfers	0	0	0	0	0	0	346,058	0
Debt Service	11,382	0	11,382	4,093	0	4,093	15,484	15,475
Total Costs	\$71,631,135	\$822,700	\$72,453,835	\$63,723,193	\$371,376	\$64,094,569	\$125,039,053	\$136,548,404
Fund Sources								
General Fund	1,723,216	(446)	1,722,770	1,699,112	(663)	1,698,449	2,845,469	3,421,219
State/Other Special	22,004,292	612,133	22,616,425	16,285,315	592,642	16,877,957	38,158,196	39,494,382
Federal Special	34,557,058	85,624	34,642,682	32,609,182	60,393	32,669,575	55,880,791	67,312,257
Proprietary	13,346,569	125,389	13,471,958	13,129,584	(280,996)	12,848,588	28,154,597	26,320,546
Total Funds	\$71,631,135	\$822,700	\$72,453,835	\$63,723,193	\$371,376	\$64,094,569	\$125,039,053	\$136,548,404

Agency Description

The Department of Commerce is responsible for encouraging and promoting commerce-related activities in Montana through programs in four major areas: 1) economic development and promotion, which includes the Business Development Division, Pacific Rim and Canadian Trade Offices, Montana Promotion Division, Montana Health Facility Authority, Board of Investments, Montana Science and Technology Alliance, and the Census and Economic Information Services; 2) assistance to local governments, which includes the Local Government Assistance Division, Community Technical Assistance Program, Community Development Block Grant Program, Hard Rock Mining Board, Coal Board, and Local Government Audit and Systems Programs; 3) public safety, which includes programs responsible for activities related to public safety; and 4) assistance to individuals, which includes programs for Professional and Occupational Licensing, Milk Control, Weights and Measures, Building Codes, Financial Institutions Division, and the Board of Horse Racing. Assistance to individuals is also provided through the Board of Housing, Consumer Affairs Unit, and Section 8 housing programs. The Montana Lottery and the Coordinator of Indian Affairs programs are also in the department.

6501 00 00000								
DEPARTMENT OF COMMERCE								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	335.69	(0.88)	(3.00)	331.81	(0.88)	(3.00)	331.81	331.81
Personal Services	10,982,234	665,266	(162,196)	11,485,304	719,779	(165,649)	11,536,364	23,021,668
Operating Expenses	18,940,790	332,728	621,110	19,894,628	(171,463)	470,625	19,239,952	39,134,580
Equipment	412,529	(145,124)	363,786	631,191	(164,039)	66,400	314,890	946,081
Local Assistance	1,698,083	128,917	0	1,827,000	183,727	0	1,881,810	3,708,810
Grants	24,963,595	13,640,735	0	38,604,330	6,153,865	0	31,117,460	69,721,790
Transfers	144,918	(144,918)	0	0	(144,918)	0	0	0
Debt Service	15,484	(4,102)	0	11,382	(11,391)	0	4,093	15,475
Total Costs	\$57,157,633	\$14,473,502	\$822,700	\$72,453,835	\$6,565,560	\$371,376	\$64,094,569	\$136,548,404
Fund Sources								
General Fund	1,429,263	293,953	(446)	1,722,770	269,849	(663)	1,698,449	3,421,219
State/Other Special	16,655,031	5,349,261	612,133	22,616,425	(369,716)	592,642	16,877,957	39,494,382
Federal Special	24,783,944	9,773,114	85,624	34,642,682	7,825,238	60,393	32,669,575	67,312,257
Proprietary	14,289,395	(942,826)	125,389	13,471,958	(1,159,811)	(280,996)	12,848,588	26,320,546
Total Funds	\$57,157,633	\$14,473,502	\$822,700	\$72,453,835	\$6,565,560	\$371,376	\$64,094,569	\$136,548,404

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

6501 00 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Petroleum Testing	0.00	\$0	\$16,000	0.00	\$0	\$16,000
2 Weights & Measures Equipment	0.00	0	32,700	0.00	0	20,000
3 Personal Services Reductions	0.00	0	(2,106)	0.00	0	(2,199)
4 Personal Services Reductions	0.00	0	(4,835)	0.00	0	(5,047)
5 Bd Of Medical Exam Equipment	0.00	0	2,305	0.00	0	0
6 Prof/Occup Licensing	4.00	0	259,881	4.00	0	255,561
7 Personal Services Reductions	0.00	0	(8,431)	0.00	0	(8,800)
8 Census 2000 Preparation	0.00	4,500	4,500	0.00	4,500	4,500
9 CEIC User Fee Recovery	0.00	0	15,000	0.00	0	15,000
10 Personal Services Reductions	0.00	(4,946)	(4,946)	0.00	(5,163)	(5,163)
11 Personal Services Reductions	0.00	0	(4,084)	0.00	0	(4,263)
12 CDBG Consolidated Plan	0.00	0	65,890	0.00	0	65,890
13 Section 8 Housing Equipment	0.00	0	25,000	0.00	0	0
14 Personal Services Reductions	0.00	0	(5,266)	0.00	0	(5,497)
15 Operating Expense Reduction	0.00	0	(11,917)	0.00	0	(11,917)
16 Personal Services Reductions	(16.00)	0	(504,217)	(16.00)	0	(506,249)
17 Electrical/Plumbing Inspectors	8.00	0	320,640	8.00	0	321,296
18 Personal Services Reductions	0.00	0	(6,510)	0.00	0	(6,796)
19 Personal Services Reductions	0.00	0	(2,681)	0.00	0	(2,798)
20 Board Of Investments	1.00	0	85,565	1.00	0	85,565
21 Personal Services Reductions	0.00	0	(5,361)	0.00	0	(5,596)
22 Tri-West Lotto	0.00	0	120,000	0.00	0	120,000
23 Personal Services Reductions	0.00	0	(6,702)	0.00	0	(6,996)
24 Oracle Database Programming	0.00	0	150,000	0.00	0	0
25 Management Services Equipment	0.00	0	3,600	0.00	0	0
26 Equipment Conversion To LANS	0.00	0	292,809	0.00	0	43,200
27 Personal Services Reductions	0.00	0	(4,134)	0.00	0	(4,315)
Totals	(3.00)	(\$446)	\$822,700	(3.00)	(\$663)	\$371,376

Other LFA Issues

FTE Shifts - Although the number of FTE funded in the Executive Budget has not changed since the November 1993 Special Session, the executive has reallocated a large number of FTE among various programs. As Table 1 shows, five programs have reduced FTE, varying from 3 percent to 100 percent decreases in total program FTE. Four programs have increased FTE, varying from 4 percent to 61 percent increases in total program FTE. The executive combines the former Office of Research and Information Services (ORIS) with the Economic Development Division (formally the Business Development Division). This does not represent a change in FTE allocated for that function. The legislature may wish to review reorganization changes to determine if program objectives are still being met and are consistent with legislative intent. The FTE changes are discussed in more detail each program's "Executive Present Law" narrative.

Table 1
Department of Commerce
1995 to 1997 Biennium FTE Shifts

Program	Funded by Legislature	Executive Change	Executive Budget	Percent Change
Decreases				
Milk Control	6.00		5.00	(16.67)
To Economic Development Division		(1.00)		
Office of Reseach & Infor. Services	6.83		0.00	(100.00)
To Economic Development Division		(6.83)		
LGS-Audit & Systems	29.00		25.00	(13.79)
To POL		(1.00)		
To Economic Development Division		(2.00)		
To Community Development		(1.00)		
Building Codes	35.00		34.00	(2.86)
To POL		(1.00)		
Science & Technology Alliance	7.00		5.00	(28.57)
To Montana Promotions		(2.00)		
Total	83.83	(14.83)	69.00	(17.69)
Increases				
POL	43.03		45.03	4.65
From LGS-Audit & Systems		1.00		
From Building Codes		1.00		
Economic Development Division	16.00		25.83	61.44
From Milk Control		1.00		
From Office of Res. & Infor. Ser.		6.83		
From LGS-Audit & Systems		2.00		
Montana Promotions	19.23		21.33	10.92
From Science & Tech. Alliance		2.00		
Community Development	26.50		27.50	3.77
From LGS-Audit & Systems		1.00		
Total	104.76	14.83	119.69	14.25

Early Retirements - Throughout the following program narratives are explanations for changes in personal services. A common element in many programs are increased expenditures in fiscal 1994 due to unfunded early retirement costs. In fiscal 1994, the department paid \$167,845 as a result of early retirements plus \$7,669 in interest. These expenditures are not budgeted in the 1997 biennium. However, the department chose to finance some early retirement costs over 10 years and has an unpaid obligation of \$91,903.

DEPARTMENT OF COMMERCE**BUSINESS REGULATORY SERVICES**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	1.00	(1.00)	0.00	0.00	(1.00)	0.00	0.00	0.00
Personal Services	78,757	(78,757)	0	0	(78,757)	0	0	0
Operating Expenses	9,069	(9,069)	0	0	(9,069)	0	0	0
Debt Service	400	(400)	0	0	(400)	0	0	0
Total Costs	\$88,226	(\$88,226)	\$0	\$0	(\$88,226)	\$0	\$0	\$0
Fund Sources								
Proprietary	88,226	(88,226)	0	0	(88,226)	0	0	0
Total Funds	\$88,226	(\$88,226)	\$0	\$0	(\$88,226)	\$0	\$0	\$0

Program Description

The executive eliminates this program through reorganization. In the November 1993 Special Session, the legislature approved a 0.78 FTE reduction in the program administrator position in fiscal 1995, since the incumbent was retiring in fiscal 1995. The Public Safety program provided for the administration, management, and coordination of activities of the Building Codes Bureau, Milk Control Bureau, Professional and Occupational Licensing Bureau, and Bureau of Weights and Measures. The legislature approved an additional 1.00 FTE in the weights and measures program to take over the supervisory duties.

DEPARTMENT OF COMMERCE
 Program Summary

WEIGHT & MEASURES BUREAU

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	10.50	0.50	0.00	11.00	0.50	0.00	11.00	11.00
Personal Services	291,601	41,278	(2,106)	330,773	42,267	(2,199)	331,669	662,442
Operating Expenses	146,916	(3,033)	16,000	159,883	(1,918)	16,000	160,998	320,881
Equipment	85,332	40,868	32,700	158,900	48,668	20,000	154,000	312,900
Debt Service	197	(197)	0	0	(197)	0	0	0
Total Costs	\$524,046	\$78,916	\$46,594	\$649,556	\$88,820	\$33,801	\$646,667	\$1,296,223
Fund Sources								
General Fund	20,000	(20,000)	0	0	(20,000)	0	0	0
State/Other Special	504,046	98,916	46,594	649,556	108,820	33,801	646,667	1,296,223
Total Funds	\$524,046	\$78,916	\$46,594	\$649,556	\$88,820	\$33,801	\$646,667	\$1,296,223

Program Description

The Weights and Measures program is responsible for licensing, testing, inspecting, and calibrating all weighing and measuring devices. In addition, the program is responsible for maintaining minimum specifications of all petroleum products, licensing all petroleum dealers in Montana, and enforcing laws and regulations relating to quantity of all prepackaged commodities.

Funding

The Weights & Measures Bureau is entirely supported by state special fee revenue collected from license and inspection fees on weighing devices, petroleum dealers, and liquified petroleum dealers. In biennia prior to the 1995 biennium, the program was funded from the general fund and revenue collections were deposited to the general fund. HB 17, passed in the 1993 session, eliminated the fees for petroleum and liquefied petroleum dealer licenses from statute and gave rule authority to the department to set the fees. The department instituted regulations that more than doubled nearly all fees that had been set by statute. In addition, rules were amended that increased testing and certification fees for weighing devices by 150 percent. HB 70, also passed in the 1993 session, increased nearly all weighing device license fees by 150 percent. In fiscal 1994, collections exceeded expenditures by \$43,268.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - When the Business Regulatory Services Program administrator retired (see the previous program), the November 1993 Special Session moved the position to this program in January 1994. Therefore, only expenditures for 0.50 FTE of the 1.00 FTE approved in the November 1993 Special Session are reflected in fiscal 1994, resulting in a larger personal services increase. The executive reflects the addition of the other 0.50 FTE as a present law adjustment.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	0.50	\$41,287	0.50	\$42,267
2 Inflation/Deflation		1,443		3,202
3 Fixed Costs		4,857		3,733
<i>Other Executive Present Law Adjustments</i>				
4 Costs of Retirement/Program Elimination		\$11,798		\$11,798
5 Indirect Costs		3,089		3,089
6 Recharges for Eliminated Program		(25,020)		(25,020)
7 Equipment		40,686		48,668
8 Other		776		1,083
<i>Total Executive Present Law Adjustments</i>	<i>0.50</i>	<i>\$78,916</i>	<i>0.50</i>	<i>\$88,820</i>
<i>LFA Issues With Executive PL Adjustments</i>				
7 Equipment		(\$63,100)		(\$67,000)

4) Costs of Retirement/Program Elimination - The November 1993 Special Session eliminated the Business Regulatory Services Program administrator position, but provided personal services funding in this division to replace the lost duties. The executive requests additional funding for travel and other operating expenses associated with the new position.

5) Indirect Costs - The program pays indirect costs to support the Director/Management Services program. Because of the increased budget requested by the executive in that program and the increase in personal services in this program, indirect costs increase accordingly.

6) Recharges for Eliminated Program - In fiscal 1994, this program partly funded the Business Regulatory Services Program. Since this program has been eliminated, these recharges are no longer necessary.

7) Equipment - The executive requests \$126,200 in fiscal 1996 and \$134,000 in fiscal 1997 for replacement equipment purchases. By oversight, this amount was doubled from the agency request. The agency equipment request is \$63,100 in fiscal 1996 and \$67,000 in fiscal 1997. The request includes: a) 4 vehicles - \$56,000 in fiscal 1996; b) a 2.5 ton tandem - \$67,000 in fiscal 1997; c) 1 generator - \$3,500 in fiscal 1996; and d) 30 pound test kits - \$3,600 in fiscal 1996.

LFA Issue - The Executive Budget requests twice the amount of equipment requested by the agency. The legislature may wish to consider reducing the equipment request by \$63,100 in fiscal 1996 and \$67,000 in fiscal 1997 to the level requested by the agency.

8) Other - Miscellaneous increases to the present law total less than 0.6 percent of fiscal 1994 operating expenditures.

6501 02 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Petroleum Testing			\$16,000			\$16,000
2 Weights & Measures Equipment			32,700			20,000
3 Personal Services Reductions			(2,106)			(2,199)
Totals			\$46,594			\$33,801

Executive New Proposals

- 1) Petroleum Testing - The executive requests an additional \$16,000 state special revenue each fiscal year for petroleum testing. Although authorized by section 82-15-104, MCA, to employ a laboratory to test petroleum products, the program has not done so. Department staff state that additional authority would allow the program to sample 40 gasoline pumps per year to test the octane level. Laboratory tests cost approximately \$400 each.
- 2) Weights & Measures Equipment - The executive requests an additional \$32,700 in fiscal 1996 and \$20,000 in fiscal 1997 to purchase: a) a slab weight and dolly for the 2.5 ton tandem requested in present law - \$20,000 in fiscal 1997; b) two 100 gallon field provers - \$18,800 in fiscal 1996; c) one 2,000 pound lab standard - \$2,500 in fiscal 1996; d) seven class F gram kits - \$1,400 in fiscal 1996; and e) a 30 kilogram mass comparator - \$10,000 in fiscal 1996.
- 3) Personal Services Reductions - The executive applies a 0.63 percent vacancy savings rate to reduce personal services by \$2,106 state special revenue in fiscal 1996 and \$2,199 in fiscal 1997.

6501 36 00000								
DEPARTMENT OF COMMERCE				BANKING & FINANCIAL DIVISION				
Program Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	25.25	0.00	0.00	25.25	0.00	0.00	25.25	25.25
Personal Services	731,462	127,418	(4,835)	854,045	131,437	(5,047)	857,852	1,711,897
Operating Expenses	262,577	32,576	0	295,153	32,839	0	295,416	590,569
Equipment	45,344	24,376	0	69,720	(14,154)	0	31,190	100,910
Debt Service	482	(482)	0	0	(482)	0	0	0
Total Costs	\$1,039,865	\$183,888	(\$4,835)	\$1,218,918	\$149,640	(\$5,047)	\$1,184,458	\$2,403,376
Fund Sources								
State/Other Special	1,039,865	183,888	(4,835)	1,218,918	149,640	(5,047)	1,184,458	2,403,376
Total Funds	\$1,039,865	\$183,888	(\$4,835)	\$1,218,918	\$149,640	(\$5,047)	\$1,184,458	\$2,403,376

Program Description

The Financial Division program is responsible for: 1) chartering and supervising state-chartered banks and trust companies, savings and loan associations, and credit unions; and 2) licensing and supervising consumer loan companies, sales finance companies, and escrow companies. The program also examines the operations of development corporations and certain loans of the Montana Board of Investments, and monitors prearranged funeral plans whose funds are on deposit in Montana banks, savings and loans, or credit unions. The State Banking Board, which is responsible for making final determinations on applications for certificates of authorization for new banks, branch banks, mergers, consolidations, and relocations of banks and advising the director of the Department of Commerce on matters relating to banking, is administratively attached to this program.

Funding

The Banking and Financial Division is funded from revenue generated from bank assessments and application fees, credit union supervisory and examination fees, consumer loan examination fees, and consumer loan/sales finance licenses.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The increase is primarily due to pay increases authorized by the 1993 legislature and vacancy savings, as \$90,853 of budgeted personal services was not spent in fiscal 1994. This vacancy savings was primarily due to not filling all the new 6.00 FTE authorized by the 1993 legislature by the beginning of fiscal 1994.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$127,418		\$131,437
2 Inflation/Deflation		2,971		4,387
3 Fixed Costs		6,407		4,638
<i>Other Executive Present Law Adjustments</i>				
4 Previous Budget Modification		\$20,884		\$20,884
5 Equipment		24,376		(14,145)
6 Other		1,832		2,439
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$183,888</u>	<u>0.00</u>	<u>\$149,640</u>
<i>LFA Issues With Executive PL Adjustments</i>				
5 Equipment		(\$34,860)		(\$15,595)

4) Previous Budget Modification - The 1993 legislature authorized funding for 6.00 FTE beginning fiscal 1994 to support anticipated workload increases related to conversion of national bank charters to state bank charters. Due to a lengthy hiring process, the full 6.00 FTE were not hired at the beginning of fiscal 1994. The executive requests an additional \$11,196 in travel expenses because of low expenditures in the base year due to the program not being fully staffed. In addition, the executive requests \$69,576 to pay indirect charges to fund the Director/Management Services Program, an increase over the \$59,888 spent in fiscal 1994. The increase is due primarily to the indirect charge being calculated on full personal services funding in the 1997 biennium. However, a part of the increase is due to the higher budget requested in the Director/Management Services Program.

5) Equipment - The executive requests \$69,720 in fiscal 1996 and \$31,190 in fiscal 1997 for replacement equipment purchases. Due to an oversight, this amount was doubled from the agency request. The agency equipment request is \$34,860 in fiscal 1996 and \$15,595 in fiscal 1997. The request includes: a) 10 computers - \$17,600 in fiscal 1996 and \$12,000 in fiscal 1997; b) 4 printers - \$700 in each fiscal year; c) 1 vehicle - \$15,000 in fiscal 1996; and d) office equipment, including 6 chairs, 5 calculators, and 1 computer printer - \$1,560 in fiscal 1996 and \$2,895 in fiscal 1997.

LFA Issue - The Executive Budget requests twice the amount of equipment requested by the agency. The legislature may wish to consider reducing the equipment request by \$34,860 in fiscal 1996 and \$15,595 in fiscal 1997 to the level requested by the agency.

6) Other - Miscellaneous increases to the present law total less than 0.7 percent of fiscal 1994 operating expenditures.

6501 36 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions			(\$4,835)			(\$5,047)
Totals			(\$4,835)			(\$5,047)

Executive New Proposals

1) Personal Services Reductions - The executive applies a 0.56 percent vacancy savings rate to reduce personal services by \$4,835 state special revenue in fiscal 1996 and \$5,047 in fiscal 1997.

6501 37 00000 DEPARTMENT OF COMMERCE Program Summary								
MILK CONTROL BUREAU								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	154,067	10,805	0	164,872	11,531	0	165,598	330,470
Operating Expenses	69,268	1,312	0	70,580	1,710	0	70,978	141,558
Total Costs	\$223,335	\$12,117	\$0	\$235,452	\$13,241	\$0	\$236,576	\$472,028
Fund Sources								
State/Other Special	223,335	12,117	0	235,452	13,241	0	236,576	472,028
Total Funds	\$223,335	\$12,117	\$0	\$235,452	\$13,241	\$0	\$236,576	\$472,028

Program Description

The Milk Control Bureau is responsible for supervising, regulating, and controlling the milk industry of the state. All matters pertaining to production, processing, storage, distribution, and sale of milk are investigated. The program ensures compliance with state laws through minimum pricing, fair trade rules, extension of credit, and by enforcing financing prohibitions of the law. It also collects the milk tax used to support regulatory and testing functions in the Department of Livestock.

Funding

The Milk Control Bureau is funded from revenue obtained from assessments on Montana milk products.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services		\$9,705		\$10,431
2 Inflation/Deflation		1,566		2,259
3 Fixed Costs		1,129		776
Other Executive Present Law Adjustments				
4 Other		(\$283)		(\$225)
Total Executive Present Law Adjustments	0.00	\$12,117	0.00	\$13,241

- 1) Personal Services - The increase is primarily due to vacancy savings and pay increases authorized by the 1993 legislature. The executive's base includes a transfer of a 1.00 FTE grade 12 auditor from this division to establish a 1.00 FTE regional development officer in the Economic Development Division. The auditor position was vacant all of fiscal 1994.
- 2) Inflation - Inflation is primarily due to anticipated increases in the in-state motorpool of 37 percent in fiscal 1996 and 52 percent in fiscal 1997.
- 4) Other - Miscellaneous changes to the present law are due primarily to increases of \$4,659 each fiscal year for additional board meetings and investigations, offset by decreases of \$4,989 each fiscal year in indirect costs and recharges.

6501 39 00000								
DEPARTMENT OF COMMERCE				POL BUREAU				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	43.03	2.00	4.00	49.03	2.00	4.00	49.03	49.03
Personal Services	1,319,556	181,203	99,586	1,600,345	188,888	99,502	1,607,946	3,208,291
Operating Expenses	2,882,761	381,332	151,864	3,415,957	292,092	147,259	3,322,112	6,738,069
Equipment	127,012	(125,427)	2,305	3,890	(127,012)	0	0	3,890
Debt Service	802	(802)	0	0	(802)	0	0	0
Total Costs	\$4,330,131	\$436,306	\$253,755	\$5,020,192	\$353,166	\$246,761	\$4,930,058	\$9,950,250
Fund Sources								
State/Other Special	3,236,929	324,764	245,328	3,807,021	246,509	238,651	3,722,089	7,529,110
Proprietary	1,093,202	111,542	8,427	1,213,171	106,657	8,110	1,207,969	2,421,140
Total Funds	\$4,330,131	\$436,306	\$253,755	\$5,020,192	\$353,166	\$246,761	\$4,930,058	\$9,950,250

Program Description

The Professional and Occupational Licensing (POL) program provides the administrative and clerical services required by the 36 licensing and regulatory boards authorized by statute. Services provided include correspondence, application processing, issuing and renewing licenses, administering and grading examinations, taking minutes of board meetings and hearings, and providing legal staff and investigators to investigate legal infractions.

Funding

The licensing boards in the Professional and Occupational Licensing (POL) Bureau are funded from state special revenue obtained from license fees set by each board. The administration costs are funded through assessments (recharges) on all boards and deposited in the proprietary fund. Each board pays the same percentage (52.1 percent) of its total budget to fund Administrative Services. Changes in appropriations for the Administrative Services portion of the program results in changes in recharges budgeted in each of the boards. Likewise, changes in any board's budget results in a change in each board's recharges.

LFA Issue - Fund balances in POL boards have been a legislative issue before the past three legislatures. Legislative audits for the 1989, 1991, and 1993 biennia recommended that the POL boards establish fees commensurate with program costs according to section 37-1-134, MCA. In its April 1994 report, the Legislative Auditor identified 16 boards whose revenues exceed expenditures and 11 boards whose fund balances are in excess of a full year's expenditures. In the January 1992 Special Session, the legislature enacted HJR 2, directing the Department of Commerce to review the various funds and fund balances of boards attached to it and present its findings and any proposed action to the Revenue Oversight and Legislative Finance Committees. In November 1992, the department presented its HJR findings that 15 boards had cash balances greater than appropriations. It recommended that boards with fund balances greater than needed for program expenditures should reduce fees.

Despite the statute requiring fees to be commensurate with costs, each board has the authority to set license fees. Some boards feel that rather than reduce fees, the level of service should be increased. In the past, the legislature has approved board requests to expand existing programs and to fund new programs. However, in most cases these increases have been in areas in which expenditures tend to increase over time, such as personal services or operations. As a result, some boards raise fees to fund the increasing costs. To date in the 1995 biennium, 17 boards have increased fees, while 5 have decreased fees. Of the 17, 11 received additional spending authority from the 1993 legislature. Table 2 shows that of the 38 accounts funding this program, 18 have excessive fiscal 1994 fund balances as defined by the auditor (the fund balance exceeds fiscal 1994 expenditures), and fund balances in eight of these are

increasing. Of these eight, three have increased fees in fiscal 1994: 1) Funeral Services; 2) Electrical Board; and 3) Hearing Aid Dispensers. Since most boards receive the majority of their funding during the license renewal process, a fund balance sufficient to pay expenses through the year is necessary. However, those with increasing fund balances in excess of yearly expenses may be charging a fee greater than necessary to pay costs.

Options available to the legislature in reducing fund balances in POL boards include: 1) set POL board fees in statute; 2) establish a statutory formula to determine an adequate fund balance for the boards and require that projected revenue minus projected expenditures not exceed this limit; 3) direct specific boards to reduce fees; and/or 4) transfer excess fund balances to the general fund.

Table 2
Professional & Occupational Licensing Bureau
Account Balances

Accounting Entity	Name	Fiscal 1994 Revenues	Fiscal 1994 Expenditures	Rev. Exceeds Expenditures	Fiscal 1994 Excessive Fund Balance	Excessive Fund Bal.
02821	Funeral services *	\$34,415	\$24,850	Yes	\$51,893	Yes
02818	Electrical *	137,390	76,114	Yes	143,836	Yes
02814	Hearing aid dispensers *	15,292	14,195	Yes	21,077	Yes
02815	Public accountants	245,264	196,777	Yes	209,242	Yes
02855	Respiratory care	16,991	13,967	Yes	11,364	Yes
02078	Occupational therapists	18,330	12,205	Yes	50,640	Yes
02823	Professional engineers	162,712	100,943	Yes	278,149	Yes
02809	Speech pathologists **	11,848	8,958	Yes	25,104	Yes
02812	Physical therapists *	11,080	20,928		62,096	Yes
02816	Sanitarians	8,205	9,185		20,479	Yes
02824	Medical examiners *	422,923	430,916		472,477	Yes
02840	Social workers **	67,660	100,280		178,103	Yes
02813	Nursing home administration	4,290	22,678		24,263	Yes
02854	Real estate appraisers *	48,529	49,307		79,904	Yes
02829	Private investigators **	24,159	33,738		57,298	Yes
02810	Radiologic technologists **	36,625	49,486		93,318	Yes
02069	Passenger tramways	24,067	30,712		91,809	Yes
02082	Real estate recovery	32,382	36,864		293,359	Yes
02822	Chiropractors *	35,695	28,307	Yes	18,848	
02828	Plumbers	106,260	94,907	Yes	56,169	
02832	Pharmacy *	182,858	168,598	Yes	157,034	
02808	Landscape architects *	15,911	12,505	Yes	9,243	
02811	Clinical lab science practitioners	27,015	21,340	Yes	5,675	
02819	Real estate	372,438	296,846	Yes	205,253	
02852	Alternative health care	13,941	11,107	Yes	8,711	
02835	Barbers *	32,150	30,021	Yes	16,201	
02833	Nursing *	314,800	516,296		160,074	
02841	Athletics *	3,426	22,554		(6,138)	
02831	Optometrists **	23,755	30,277		28,207	
02842	Polygraph licensing	1,710	6,306		3,540	
02834	Veterinarians *	28,675	33,124		26,046	
02826	Cosmetology *	126,809	231,712		187,331	
02446	Psychologists *	25,089	30,557		16,375	
02830	Dentistry *	93,544	156,102		54,712	
02820	Architects	39,685	53,736		50,332	
02160	Private employment agencies	1,615	4,525		3,009	
02109	Outfitters *	166,152	295,513		96,616	
Total of Boards		\$2,933,690	\$3,276,436		\$3,261,649	
06552	POL administrative services	1,250,448	1,081,354	Yes	279,785	
Total POL		\$4,184,138	\$4,357,790		\$3,541,434	

* Fees increased in the 1995 biennium

** Fees decreased in the 1995 biennium

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services	1.00	\$153,319	1.00	\$159,754
2 Inflation/Deflation		12,780		19,205
3 Fixed Costs		16,483		6,088
Other Executive Present Law Adjustments				
4 New Boards - Electricians & Plumbers	1.00	\$37,147		\$37,147
5 Overtime, Per Diem, & Other Personal Services		27,884		29,134
6 Contracted Services		208,311		206,911
7 Travel		62,817		64,554
8 Rent		16,505		17,156
9 Maintenance		8,984		8,984
10 Indirect Costs		14,883		15,448
11 Recharges		(8,003)		(94,826)
12 Equipment		(125,427)		(127,012)
13 Other		10,623		10,623
Total Executive Present Law Adjustments	2.00	\$436,306	1.00	\$353,166
LFA Issues With Executive PL Adjustments				
6 Contracted Services		(\$70,841)		(\$70,841)
11 Recharges		(117,923)		(35,985)

1) Personal Services - Beginning in fiscal 1995, the executive transferred the Board of Plumbers and the Electrical Board from the Building Codes Division to this program. The move transfers a 0.67 FTE grade 10 license technician from the Building Codes Program to the Electrical Board and the remaining 0.33 FTE to the Plumbers Board, plus \$139,931 in spending authority. In addition, a 0.67 FTE grade 14 auditor from the Local Government Services Program is transferred to the Electrical Board and the remaining 0.33 FTE to the Plumbers Board. Department staff indicate that the transfers and change in duties may necessitate upgrades.

2) Inflation & 3) Fixed Costs - Inflation is primarily due to anticipated increases in the in-state motorpool of 37 percent in fiscal 1996 and 52 percent in fiscal 1997. The increase in fixed costs the first year and the decrease in the second year is due primarily to the biennial appropriation requested in fiscal 1996 to pay Legislative Auditor fees.

4) New Boards - Electricians & Plumbers - The executive transfers the boards of Electricians and Plumbers to the POL Bureau from the Building Codes Division (see personal services above). The executive requests an additional \$21,015 in the Board of Electricians for license checks, legal costs, and travel for inspectors. The executive also requests an additional \$16,132 in the Board of Plumbers for license checks, Attorney General assistance, and travel for inspectors and board members. Although these two boards were supported by 2.00 FTE in the Building Codes Program, only 1.00 FTE is being transferred, leaving 1.00 FTE in the Building Codes Program. The Building Codes Program is requesting a new proposal for an additional 8.00 FTE based on an increase in workload, in addition to the 1.00 FTE gained from the transfer of the Electricians and Plumbers boards.

5) Overtime, Per Diem, & Other Personal Services - The executive requests additional personal services funding for: a) overtime - \$1,625 each fiscal year; b) per diem - \$24,325 in fiscal 1996 and \$25,575 in fiscal 1997; and c) miscellaneous - \$1,934.

6) Contracted Services - The executive requests an additional \$208,311 in fiscal 1996 and \$206,911 in fiscal 1997 in contracted services. The largest increases are in the Board of Public Accountants and the legal contingency fund in Administrative Services. Various other boards receive other minor increases.

LFA Issue - Funding for the legal contingency fund in Administrative Services is from revenue in the real estate recovery account. Real estate license fees are deposited into the account to pay unsatisfied judgments against licensees. The Board of Realty Regulation must keep a minimum \$100,000 balance in the account (at the end of fiscal 1994, the fund balance was \$293,359). By section 37-51-501, MCA, money in this account is statutorily appropriated. Because these funds are already appropriated by statute, they do not need to be appropriated in the general appropriations act. The legislature may wish to eliminate \$70,841 each fiscal year of requested authority that already is appropriated by statute.

7) Travel - The executive requests an additional \$62,817 in fiscal 1996 and \$64,554 in fiscal 1997 for travel. The increase each fiscal year is due primarily to vacancy savings incurred in fiscal 1994 (less travel expenses were incurred), and to additional board meetings, inspections, board members, and out-of-state travel.

8) Rent - The executive requests an additional \$16,505 in fiscal 1996 and \$17,156 in fiscal 1997 for rent of meeting rooms and non-state owned buildings. The increase occurs primarily in the Board of Nursing, the Board of Outfitters, the Board of Public Accountants, and Administrative Services.

9) Maintenance - The executive requests an additional \$8,984 each fiscal year for maintenance, primarily due to an increase of \$7,815 in Administrative Services for office equipment whose warranties have expired.

10) Indirect Costs - The POL Bureau pays indirect costs to support the Director/Management Services Program. Due to higher personal services from additional FTE in the POL Bureau and the higher budget in the Director/Management Services Program, indirect costs increase \$14,883 in fiscal 1996 and \$15,448 in fiscal 1997.

11) Recharges - Each board pays the same percentage (52.1 percent) of its budget to fund the Administrative Services portion of the program. The executive requests \$8,003 less in fiscal 1996 and \$94,826 less in fiscal 1997 than fiscal 1994 expenditures. Recharges decrease from fiscal 1994 because a larger amount was paid in fiscal 1994 than the 1997 budget request for Administrative Services. Fiscal 1996 recharges are greater than fiscal 1997 because the executive includes part of the biennial appropriations requested in two new proposals in the Director/Management Services Program in the recharge calculations, thus increasing only fiscal 1996.

LFA Issue - The executive's request for recharges in the boards may be excessive for two reasons: a) the amounts were calculated on a larger budget in Administrative Services than requested in the Executive Budget; and b) the amounts fund parts of three new proposals. These new proposals are: a) Professional & Occupational Licensing in this program; b) Oracle Database Programming in the Director/Management Services Program; and c) Equipment

Conversion to LAN in the Director/Management Services Program. Funding for new proposals should be exclusively within the new proposal requests.

OPTION: Reduce recharges by \$117,923 in fiscal 1996 and \$35,985 in fiscal 1997 to fund the Administrative Services portion of this program at the level requested. This option would increase the cost of the new proposals to include appropriate recharges in the program.

12) Equipment - The executive requests \$1,585 in fiscal 1996 for office equipment replacement, considerably less than the \$127,012 spent in fiscal 1994. Additional equipment is requested in a new proposal.

13) Other - Miscellaneous increases to the present law total less than 0.4 percent of fiscal 1994 operating expenditures.

6501 39 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Bd Of Medical Exam Equipment			\$2,305			
2 Prof/Occup Licensing	4.00		259,881	4.00		255,561
3 Personal Services Reductions			(8,431)			(8,800)
Totals	4.00		\$253,755	4.00		\$246,761

Executive New Proposals

1) Board of Medical Examiners Equipment - The executive requests an additional \$2,305 state special revenue in fiscal 1996 to purchase 4 new file cabinets, 1 book case, 1 typewriter, and a paper shredder.

2) Professional & Occupational Licensing - The executive requests an additional 4.00 FTE and \$259,881 in fiscal 1996 and \$255,561 fiscal 1997 for seven programs.

Board of Outfitters - The executive requests an additional 3.25 FTE and \$99,909 state special revenue in fiscal 1996 and \$100,165 in fiscal 1997 for additional administrative and law enforcement assistance. The increase includes \$7,051 in fiscal 1996 and \$7,069 in fiscal 1997 to fund indirect costs paid to support the Director/Management Services Division. Although the board currently hires contracted employees to perform these duties, the executive present law budget reduces the amount of contracted services by \$40,503 below the \$83,503 spent in fiscal 1994. Approval of this request would increase the number of FTE in this program by 325 percent from 1.00 FTE to 4.25 FTE. The board has amended its rules to substantially increase various fees by 50 to 500 percent. Under the new fee structure, a new applicant would pay \$900 in various fees compared to \$375 under the previous rules.

Board of Medical Examiners - The executive requests an additional \$55,614 state special revenue in fiscal 1996 and \$50,986 in fiscal 1997 for: a) outside legal assistance - \$25,000 each year; b) Montana Wyoming Foundation - \$5,000 each year; c) Montana Professional Assistance Program - \$10,014 in fiscal 1996 and \$5,386 in fiscal 1997; d) printing of law books - \$2,000 each year; e) postage - \$1,800 each year; f) photocopying - \$3,000 each year; and g) per diem - \$8,800 each year. See "LFA Issues" below.

Private Investigators - The executive requests an additional \$15,000 state special revenue each fiscal year to develop a training program together with the Montana Law Enforcement Academy, provide training manuals for trainers and security employees, and develop examinations.

Board of Pharmacy - The executive requests an additional \$37,500 state special revenue each fiscal year to contract for an inspector of 150 certified pharmacies. Currently, inspections are performed by a grade 17 pharmacist inspector. Section 37-7-104, MCA, states that a person hired by the board to inspect pharmacies must be a U.S. citizen and must be a registered pharmacist.

Board of Social Workers - The executive requests an additional \$30,000 state special revenue each fiscal year to conduct three or four two-day "Ethics and the Mental Health Professional" workshops.

Board of Real Estate Appraisers - The executive requests an additional \$5,000 state special revenue each fiscal year to provide licensees with up-to-date editions of the Uniform Standards of Professional Appraisal Practice.

Administrative Services - The executive requests an additional 0.75 FTE and \$16,858 proprietary funds in fiscal 1996 and \$16,910 in fiscal 1997 to support the Electrical and Plumbing boards transferred to this program from the Building Codes program. Although a portion of the support staff was transferred (and is budgeted in present law), 1.00 FTE that had provided support still remains in the Building Codes program (for a further discussion of this issue, see the "Executive Present Law" and the "Executive New Proposal" sections in the Building Codes program). The increase includes \$1,699 in fiscal 1996 and \$1,704 in fiscal 1997 to fund indirect costs paid to support the Director/Management Services Division.

LFA Issues - The proposal for the Board of Medical Examiners duplicates funding already requested by the executive.

- a) **Legal assistance** - The executive present law includes \$19,296 each fiscal year for this purpose, the same amount spent in fiscal 1994.
- b) **Montana Wyoming Foundation** - The executive present law includes \$126,548 each year in contracted services, the same amount spent in fiscal 1994. Fiscal 1994 expenditures for this item are included in the request for contracted services.
- c) **Montana Professional Assistance Program** - The 1993 legislature increased appropriations for this program by \$47,517 each year of the 1995 biennium. Fiscal 1994 expenditures for this program are included in the executive \$126,548 request for contracted services.
- d) **Printing of law books** - The executive present law includes \$2,453 each fiscal year, the amount spent in fiscal 1994. This amount is inflated by 30 percent in fiscal 1996 and 60 percent in fiscal 1997.
- e) **Postage** - The executive present law includes \$9,661 each fiscal year for this purpose, the amount spent in fiscal 1994. This amount is inflated by 7.7 percent in fiscal 1996 and 10.3 percent in fiscal 1997.
- f) **Photocopying** - The executive present law includes \$2,066 each fiscal year for this purpose, the amount spent in fiscal 1994.
- g) **Per diem** - The executive present law includes \$8,500 each fiscal year for this purpose, the amount spent in fiscal 1994. In response to SB 89, which provided for an additional board member, the 1993 legislature appropriated an additional \$1,400 each year of the 1995 biennium.

3) **Personal Services Reductions** - The executive applies a 0.94 percent vacancy savings rate to reduce personal services in Administrative Services by \$8,431 proprietary funds in fiscal 1996 and \$8,800 in fiscal 1997.

6501 51 00000								
DEPARTMENT OF COMMERCE				ECONOMIC DEVELOPMENT DIVISION				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	24.46	1.37	0.00	25.83	1.37	0.00	25.83	25.83
Personal Services	849,653	61,456	(4,946)	906,163	65,597	(5,163)	910,087	1,816,250
Operating Expenses	796,551	314,504	12,128	1,123,183	138,713	16,300	951,564	2,074,747
Equipment	25,084	(25,084)	7,372	7,372	(25,084)	3,200	3,200	10,572
Grants	2,178,559	1,101,441	0	3,280,000	1,106,441	0	3,285,000	6,565,000
Total Costs	\$3,849,847	\$1,452,317	\$14,554	\$5,316,718	\$1,285,667	\$14,337	\$5,149,851	\$10,466,569
Fund Sources								
General Fund	826,091	45,828	(446)	871,473	21,841	(663)	847,269	1,718,742
State/Other Special	467,759	114,235	15,000	596,994	151,338	15,000	634,097	1,231,091
Federal Special	2,555,997	1,292,254	0	3,848,251	1,112,488	0	3,668,485	7,516,736
Total Funds	\$3,849,847	\$1,452,317	\$14,554	\$5,316,718	\$1,285,667	\$14,337	\$5,149,851	\$10,466,569

Program Description

The Economic Development Division provides the direct technical assistance component of the state's economic development programs. The program's Small Business Development Center program has regional offices in Billings, Bozeman, Butte, Havre, Kalispell, Missoula, and Sidney to provide direct assistance to small businesses in finance, marketing, export, and data systems. The Microbusiness Finance Program, created by the 1991 legislature, loans permanent coal trust funds to certified microbusiness development corporations. The portion of CDBG funds in this program support economic development. The Business Location program provides research assistance to firms considering expansion in or relocation to Montana and seeks to attract firms in targeted industries to consider Montana locations. The International Trade program helps Montana businesses compete in Canadian and Asian markets.

In fiscal 1994, the department consolidated the Office of Research and Information Services Program with the Economic Development program. The program, renamed the Census and Economic Information Center, provides a central information source for the department and Montana's economic community. It monitors and analyzes the Montana economy; conducts specific economic analysis projects; distributes economic, demographic, and business information; maintains and presents information on the department's economic development programs; and supports the department's research, informational, business development, and promotional activities.

Funding

The Economic Development Division is funded as shown in Table 3. General fund finances portions of the business development and international trade programs. State special revenue funding consists of revenue from private funds, lodging facility use taxes, a portion of the coal severance tax collections distributed by the Montana Agriculture Council, Montana Capitol Company examination fees, and permanent coal tax trust earnings through the microbusiness administration program. Federal funds consist of community development block grants and interest from loans of federal funds, and small business development federal assistance. The executive anticipates continued federal funds from a new micro-enterprise grant program, begun in fiscal 1994 with excess federal authority from the Community Development program. In the past, the department separated funding for the international trade and microbusiness administration program, but does not continue the separation in the 1997 biennium.

Table 3
Economic Development Division Funding

Funding	Fiscal 1996	Fiscal 1997
General Fund	\$871,473	\$847,269
State Special Revenue		
Business Assistance Private	\$125,248	\$132,243
Accommodation Tax	200,000	200,000
Growth Through Agriculture	90,000	90,000
Montana Capital Company Act	20,000	20,000
Microbusiness Finance Act	146,746	176,854
Census and Economic Information Center	15,000	15,000
Federal Funds		
Community Development Block Grant	\$3,325,832	\$3,326,066
EDA Revolving Loan Fund	20,000	20,000
Small Business Development Centers	372,419	322,419
Micro-Enterprise Grants	130,000	
Total	\$5,316,718	\$5,149,851

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The executive's base and present law FTE adjustments reflect the following changes. The November 1993 Special Session removed 0.38 FTE in fiscal 1995, causing fiscal 1994 expenditures to be greater by \$18,531. In fiscal 1994, the executive consolidated the Office of Research and Information Services Program with the Economic Development Division and renamed it the Census and Economic Information Center. The move transfers 6.83 FTE and approximately \$310,000 each year of general fund to this program. In addition, the executive transfers a 1.00 FTE grade 12 auditor from the Milk Control Division to establish a 1.00 FTE regional development officer in the Economic Development Division. The auditor position was vacant all of fiscal 1994. The executive also transfers 2.00 FTE grade 16 auditors from the Local Government Services Program to establish: a) 1.00 FTE grade 16 CDBG administrative officer; and b) 1.00 to fulfill the duties of the International Trade Manager while that person staffs the Kumamoto office.

2) Inflation - Inflation is primarily due to anticipated increases in the in-state motorpool of 37 percent in fiscal 1996 and 52 percent in fiscal 1997.

4) Contracted Services - The executive requests \$597,157 in fiscal 1996 and \$424,157 in fiscal 1997 for contracted services, an increase over the \$376,585 spent in fiscal 1994. The request includes contracts for: continuation of the seven small business development centers, National Institute of Standards, international trade program, technical assistance to local governments for economic development, pass-through of U.S. Department of Labor micro-enterprise grant funds, pass-through of U.S. Small Business Administration grant funds to assist low-income entrepreneurs and

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	1.37	\$61,456	1.37	\$65,597
2 Inflation/Deflation		6,141		9,501
3 Fixed Costs		12,140		6,657
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$220,572		\$47,572
5 Private Funds (US West Foundation)		58,994		58,326
6 Overseas Rent (general fund, SSR)		7,239		7,239
7 Maintenance Contracts		9,418		9,418
8 Grants		1,101,441		1,106,441
9 Equipment		(25,084)		(25,084)
<i>Total Executive Present Law Adjustments</i>	<i>1.37</i>	<i>\$1,452,317</i>	<i>1.37</i>	<i>\$1,285,667</i>
<i>Other LFA Present Law Issues</i>				
* Agriculture Development Council Grants/Transfers				
* Microbusiness Statutory Appropriation		(146,746)		(176,845)

several other minor grants. Funding for the micro-enterprise and low-income entrepreneurs was received in fiscal 1995 and program initiation was begun with excess federal authority in the Community Development Division. Funding will terminate in fiscal 1996.

5) Private Funds - The executive requests additional state special revenue authority to spend funds received from U.S. West Foundation for FastTrac, a series of training programs for entrepreneurs and business owners.

6) Overseas Rent - The executive requests \$14,059 general fund each fiscal year to pay leases for the Kumamoto and Taipei offices, an increase over the \$6,820 spent in fiscal 1994. Department staff state that lease subsidies have ended.

7) Maintenance Contracts - The executive requests \$13,000 each fiscal year for computer maintenance contracts, an increase over the \$3,582 spent in fiscal 1994. The increase is due to 26 computers that are no longer covered by the manufacturer's warranty. Department staff state that a yearly term contract for each of the 26 computers costs \$500.

8) Grants - The executive requests \$3,280,000 in fiscal 1996 and \$3,285,000 in fiscal 1997 for grants, an increase over the \$2,178,559 spent in fiscal 1994. The grant request includes CDBG program grants and grants from the U.S. West Foundation to micro-business development corporations.

9) Equipment - The executive requests no equipment in the 1997 biennium.

Other LFA Issues

Agriculture Development Council Grants/Transfers - The Executive Budget contains a request for a direct appropriation to spend \$90,000 each year of coal severance tax funds to support its international trade program, the same amount spent in fiscal 1994. The Agriculture Development Council (attached to the Department of Agriculture) administers the Montana Growth Through Agriculture Act, and receives a total of 0.76 percent of coal tax collections. Section 90-9-202, MCA, gives authority to the council to make investments or loans from the coal tax collections for agricultural development projects. Statute requires the council to assist in placing a full-time marketing position in a Pacific Rim country. However, a direct appropriation to the Department of Commerce for this support could usurp the council's statutory function to prioritize grant allocations. Language usually included in the general appropriations act for the Department of Agriculture authorizes additional appropriation authority to another state agency equal to the amount granted to it by the council. If the council approves a grant to the Department of Commerce, a direct appropriation in the Department of Commerce would be unnecessary.

OPTION: Eliminate the \$90,000 each year of coal severance tax funding in the Department of Commerce Economic Development Division. Include language in the general appropriations act (under the Department of Agriculture) authorizing additional appropriation authority to another state agency equal to the amount granted to it by the council. Increase the Agriculture Development Council's grant authority in the Department of Agriculture by \$90,000 each year.

Microbusiness Statutory Appropriation - Section 17-6-409, MCA, statutorily appropriates all funds deposited into the microbusiness finance program administrative account. These funds consist of interest on loans and grants from the U.S. West Foundation. The executive requests \$146,746 in fiscal 1996 and \$176,845 in fiscal 1997 of authority from this account. Since the funds are already appropriated by statute, they do not need to be appropriated in the general appropriations act. However, legislation will be introduced in the next session to eliminate this statutory appropriation based on the LFC review of statutory appropriations.

6501 51 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Census 2000 Preparation	0.00	\$4,500	\$4,500	0.00	\$4,500	\$4,500
2 CEIC User Fee Recovery	0.00	0	15,000	0.00	0	15,000
3 Personal Services Reductions	0.00	(4,946)	(4,946)	0.00	(5,163)	(5,163)
Totals	0.00	(\$446)	\$14,554	0.00	(\$663)	\$14,337

Executive New Proposals

1) Census 2000 Preparation - The executive requests an additional \$4,500 general fund each fiscal year to begin planning for the year 2000 census. Specific activities include: a) reactivating a 12 member advisory council to address concerns, procedures, and public education - \$2,000 each fiscal year for travel and operating expenses; and b) cooperating with the Legislative Council in the block boundary suggestion project of the Census 2000 Redistricting Data Program, which makes census geographical blocks consistent with local voting districts - \$2,500 each fiscal year for travel and operating expenses.

Additional funding to reactivate the 12 member census advisory council is also requested in the Census and Economic Information Center (CEIC) user fee recovery new proposal below.

2) CEIC User Fee Recovery - The executive requests an additional \$15,000 state special revenue each fiscal year to spend revenue from the sale of information. The CEIC provides a central information source for the department and Montana's economic community. Currently, revenue from the sale of information is deposited in the general fund, an average of \$6,780 over the last five years. Department staff state that a new state special revenue account will be created and fees increased to generate the additional revenue. The funds would be spent for: a) 2 computers and computer equipment - \$8,572 in fiscal 1996 and \$3,200 in fiscal 1997; b) production costs of the Montana Statistical Abstract - \$4,228 in fiscal 1996 and \$9,600 in fiscal 1997; and c) travel costs to reactivate the 12 member census advisory council - \$2,200 each fiscal year.

Additional funding to reactivate the 12 member census advisory council is also requested in the Census 2000 Preparation new proposal above.

3) Personal Services Reductions - The executive applies a 0.54 percent vacancy savings rate to reduce personal services by \$4,946 general fund in fiscal 1996 and \$5,163 in fiscal 1997. In present law, the executive requests \$2,945 each fiscal year to fund overtime.

DEPARTMENT OF COMMERCE

MONTANA PROMOTION DIVISION

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	20.33	1.00	0.00	21.33	1.00	0.00	21.33	21.33
Personal Services	678,273	24,904	(4,084)	699,093	28,239	(4,263)	702,249	1,401,342
Operating Expenses	4,758,780	58,570	0	4,817,350	74,858	0	4,833,638	9,650,988
Equipment	36,021	(36,021)	0	0	(36,021)	0	0	0
Local Assistance	1,698,083	128,917	0	1,827,000	183,727	0	1,881,810	3,708,810
Debt Service	1,108	(1,108)	0	0	(1,108)	0	0	0
Total Costs	\$7,172,265	\$175,262	(\$4,084)	\$7,343,443	\$249,695	(\$4,263)	\$7,417,697	\$14,761,140
Fund Sources								
State/Other Special	7,172,265	175,262	(4,084)	7,343,443	249,695	(4,263)	7,417,697	14,761,140
Total Funds	\$7,172,265	\$175,262	(\$4,084)	\$7,343,443	\$249,695	(\$4,263)	\$7,417,697	\$14,761,140

Program Description

The Montana Promotion Division is responsible for generating revenues for Montana by increasing the number and expenditures of nonresident visitors and production companies (motion picture and television commercials) in the state. The program works to project a positive image of the state through consumer advertising, publicity, international and domestic group travel marketing, printing and distribution of literature, and marketing to motion picture and television companies. The program spends lodging facility use tax proceeds to provide training and assistance to the Montana tourism industry, oversee expenditures by six regional non-profit corporations, and provide tourism funding for nine specific cities where lodging facility use tax collections exceed \$140,000.

Funding

The Montana Promotion Division is primarily funded with state special revenue derived from 67.5 percent of lodging facilities use tax revenue, after deductions for the amount of tax state employees paid (which are deposited to the general fund) and Department of Revenue collection costs. In addition, state special revenue is received from the sale of advertising material, income from conferences, and income from other state agencies. The Montana Promotion Division distributes 22.5 percent of lodging facilities use tax revenue to regional nonprofit tourism corporations and to certain cities, and keeps the remainder for tourism promotion and promotion of the state as a location for motion pictures and television commercials. Although lodging facilities use tax revenue is statutorily appropriated (section 15-65-121, MCA), the legislature has traditionally appropriated lodging facilities use tax for this program.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services	1.00	\$24,904	1.00	\$28,239
2 Inflation/Deflation		48,827		77,099
3 Fixed Costs		9,743		(2,241)
Other Executive Present Law Adjustments				
4 Equipment		(\$36,021)		(\$36,021)
5 Regional Tourism Corporations		128,917		183,727
6 Installment Purchases		(1,108)		(1,108)
Total Executive Present Law Adjustments	1.00	\$175,262	1.00	\$249,695
Other LFA Present Law Issues				
* Revenue and Expenditure History				

1) Personal Services - The executive's base and present law adjustments reflect the transfer of 2.00 FTE from the Montana Science and Technology Alliance to the Montana Promotion Division: a) a 1.00 grade 13 FTE accountant; and b) a 1.00 grade 16 FTE investment analyst. Funding from this transfer is used to create a 1.00 FTE grade 10 administrative support position and a 1.00 FTE grade 16 assessment and development position. Department staff state that additional program staff is required to meet changes implemented by the program. The program has expanded its efforts to: a) promote Montana as a film production location; and b) build comprehensive rural community profiles on items such as lifestyles, economic structure, asset inventory, long-range vision, and attitudes toward tourism.

2) Inflation & 3) Fixed Costs - Inflation is primarily due to anticipated increases in postage of 7.7 percent in fiscal 1996 and 10.3 percent in fiscal 1997, and increases in printing costs of 3 percent in fiscal 1996 and 6 percent in fiscal 1997. Fixed costs increase in fiscal 1996 and decrease in fiscal 1997 due to the \$15,389 biennial appropriation requested in fiscal 1996 to pay Legislative Auditor fees. In fiscal 1994, \$14,296 was spent for this purpose.

4) Equipment - The executive requests no equipment in the 1997 biennium.

5) Regional Tourism Corporations - Due to an expected increase in total lodging facility use tax collections over the amount received in fiscal 1994 (22.5 percent of which is distributed to regional non-profit corporations), the executive requests \$1,827,000 in fiscal 1996 and \$1,881,810 in fiscal 1997 to distribute to these entities, an increase over the \$1,698,083 distributed in fiscal 1994.

6) Installment Purchases - The executive requests no funding for purchases on installment in the 1997 biennium.

Other LFA Issue

Revenue and Expenditure History - As Graph 1 shows, lodging facility use tax collections increased rapidly through fiscal 1992, when they started to decrease. Expenditures for the eight following uses have closely paralleled revenue

collections: a) taxes paid by state employees, which are deposited in the general fund; b) the Department of Revenue, which is appropriated funds to pay collection and distribution costs; c) the Department of Fish, Wildlife and Parks, which receives 6.5 percent of collections; d) the Historical Society, which receives 1 percent of collections; e) the Commissioner of Higher Education, which receives 2.5 percent of collections; f) the six regional non-profit corporations, which receive 22.5 percent of collections; g) the Montana Promotion Division, which receives 67.5 percent of collections; and h) cities where collections exceed \$140,000, which receive 50 percent of the amount distributed to the regional non-profit corporation.

Since the inception of the tax in fiscal 1988, revenue has exceeded expenditures in five of the seven years. The \$1.9 million fund balance at the end of fiscal 1994 in the division's account equals approximately 37 percent of its yearly expenditures. Based on executive estimates, the fund balance is expected to grow by \$410,500 in fiscal 1996 and \$555,300 in fiscal 1997.

Upon the recommendation of the Legislative Finance Committee (LFC), a bill will be introduced that, among other things, de-earmarks all of the lodging facility use tax revenue to the general fund to be used by the legislature to fund state programs on a priority basis. If this bill is passed and approved, the legislature may wish to consider replacing the state special revenue funding from the tax revenue with general fund.

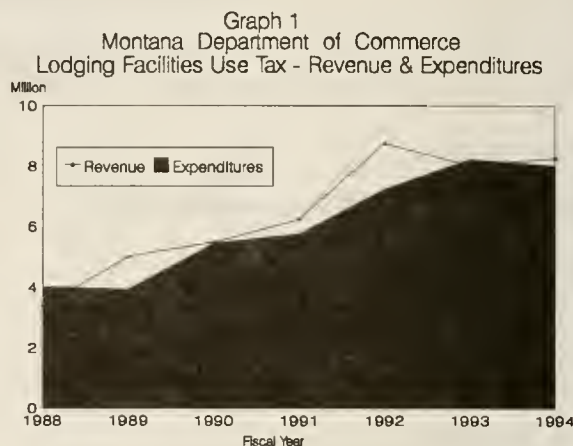
Items discussed by the LFC in its deliberations on this issue include:

- 1) Is the state incurring additional costs associated with increased tourism that are not being paid with the tax revenue?
- 2) Can a direct correlation between program expenditures and economic benefit derived from tourism be made.
- 3) Should the state spend increasing amounts of funds on tourism promotion?

6501 52 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Personal Services Reductions			(\$4,084)			(\$4,263)
Totals			(\$4,084)			(\$4,263)

Executive New Proposals

1) Personal Services Reductions - The executive applies a 0.58 percent vacancy savings rate to reduce personal services by \$4,084 state special revenue in fiscal 1996 and \$4,263 in fiscal 1997. In present law, the executive requests \$3,238 each fiscal year to fund overtime.



6501 60 00000

DEPARTMENT OF COMMERCE				COMMUNITY DEVELOPMENT BUREAU				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	25.75	1.75	0.00	27.50	1.75	0.00	27.50	27.50
Personal Services	830,488	110,166	(5,266)	935,388	113,829	(5,497)	938,820	1,874,208
Operating Expenses	767,446	205,531	65,890	1,038,867	204,121	65,890	1,037,457	2,076,324
Equipment	33,110	(7,360)	25,000	50,750	(23,860)	0	9,250	60,000
Grants	22,785,036	12,539,294	0	35,324,330	5,047,424	0	27,832,460	63,156,790
Total Costs	\$24,416,080	\$12,847,631	\$85,624	\$37,349,335	\$5,341,514	\$60,393	\$29,817,987	\$67,167,322
Fund Sources								
General Fund	236,954	51,105	0	288,059	50,519	0	287,473	575,532
State/Other Special	2,014,831	4,316,264	0	6,331,095	(1,420,622)	0	594,209	6,925,304
Federal Special	22,164,295	8,480,262	85,624	30,730,181	6,711,617	60,393	28,936,305	59,666,486
Total Funds	\$24,416,080	\$12,847,631	\$85,624	\$37,349,335	\$5,341,514	\$60,393	\$29,817,987	\$67,167,322

Program Description

The Community Development Bureau provides assistance to local governments, private developers, and the public in public-works planning and financing; land use, development, and financing; low income rent assistance; coal and hard rock mining impact mitigation; and general local government research and development. The program includes the following boards and programs. The **Coal Board** provides grants to local governments where adverse impacts have occurred as a result of large-scale coal development. The **Hard-Rock Mining Impact Board** assists mineral developers and local governments in preparing and implementing impact plans for new, large-scale, hard-rock mining developments, arbitrates disputes, makes determinations on impact plan waivers, and generally implements the Hard Rock Mining Impact Act. The **Community Assistance program** provides technical assistance to local developers, local officials, and others on capital improvement planning and budgeting, land use and zoning regulation, and financing public works projects, in addition to researching special local policy issues and distributing the **County Land Planning funds**. The **Housing Investment Partnership (HOME) program** implements the Comprehensive Housing Affordability Strategy (CHAS) plan which Montana is required to have. The **Section 8 Housing Assistance program** provides financial assistance for rental housing to the needy and provides financial assistance and guarantees to rental housing developers to improve the housing stock available to needy Montanans. The **Community Development Block Grant (CDBG) program** receives, awards, and administers federal Housing and Urban Development (HUD) funds to assist local governments with public facility and housing needs to benefit low to moderate income people. The **Treasure State Endowment program** provides administrative assistance for the Treasure State Endowment program which provides grants and loans for infrastructure projects.

Funding

The Community Development Bureau and its eight programs are funded as shown in Table 4. The Coal Board is funded with 6.65 percent of total coal tax collections. The Hard Rock Mining Board is funded from the metalliferous mines license tax. The Community Assistance program is funded entirely with general fund. The County Land Planning function is funded with 0.38 percent of total coal tax collections. The HOME program is funded with federal HUD grants. The Community Development Block Grant program is funded with general fund and federal block grant funds. The Treasure State Endowment program is funded from interest earnings from the permanent coal tax trust.

Table 4
Community Development Bureau
Executive Funding

Fiscal Year/Program	General Fund	Coal Sev. Tax Interes	Hard Rock Mining	Co. Land Planning	Local Impact	Federal Funds	Total Funds
Fiscal 1996							
Coal Board					\$5,824,009		\$5,824,009
Hard Rock Mining Board			\$104,362				104,362
Community Assistance	\$161,059						161,059
County Land Planning				\$166,301			166,301
HOME Program						\$5,991,675	5,991,675
Section 8 Housing						17,883,900	17,883,900
Comm. Devel. Block Grant	127,000					6,768,982	6,895,982
Treasure State Endowment		\$236,423					236,423
New Proposals						85,624	85,624
Total Fiscal 1996	\$288,059	\$236,423	\$104,362	\$166,301	\$5,824,009	\$30,730,181	\$37,349,335
Fiscal 1997							
Coal Board					\$93,558		\$93,558
Hard Rock Mining Board			\$102,893				102,893
Community Assistance	\$160,473						160,473
County Land Planning				161,085			161,085
HOME Program						\$3,998,571	3,998,571
Section 8 Housing						18,113,588	18,113,588
Comm. Devel. Block Grant	127,000					6,763,753	6,890,753
Treasure State Endowment		\$236,673					236,673
New Proposals						60,393	60,393
Total Fiscal 1997	\$287,473	\$236,673	\$102,893	\$161,085	\$93,558	\$28,936,305	\$29,817,987

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The increase is due to the net of reversions, the pay plan authorized by the 1993 legislature, increased benefits, and termination payouts. The executive transfers a 1.00 FTE grade 16 auditor from the Local Government Services Program to establish a 1.00 FTE grade 16 CDBG administrative officer.

2) Inflation & 3) Fixed Costs - Inflation is primarily due to anticipated increases in printing, state motorpool costs, and postage. Fixed costs differ between fiscal 1994 and 1995 due to the biennial appropriation requested in fiscal 1996 to pay Legislative Auditor fees.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	1.50	\$107,616	1.50	\$111,279
2 Inflation/Deflation		9,877		15,649
3 Fixed Costs		22,905		6,391
<i>Other Executive Present Law Adjustments</i>				
4 Coal Board				
Operating & Equipment		\$953		\$264
Grants		4,234,420		(1,494,835)
5 Hard Rock Mining Board				
Operating, Equipment, Per Diem		2,927		1,199
6 Community Assistance				
Operating & Equipment		7,729		6,202
7 County Land Planning				
Grants		10,715		5,499
8 HOME Program				
Operating & Equipment		12,041		10,309
Grants		3,992,595		2,002,245
9 Section 8 Housing				
Operating & Equipment		69,596		71,631
Grants		2,591,959		2,824,910
10 Community Development Block Grants				
Operating & Equipment		53,183		50,194
Grants		1,709,605		1,709,605
11 Treasure State Endowment				
Operating & Equipment	0.25	21,748	0.25	20,103
12 Other		(238)		869
<i>Total Executive Present Law Adjustments</i>	1.75	\$12,847,631	1.75	\$5,341,514
<i>LFA Issues With Executive PL Adjustments</i>				
5 Hard Rock Mining Board				

4) Coal Board - Revenue for this program is derived from 6.65 percent of coal severance tax collections and is used to fund Coal Board expenses and grants to local areas impacted by coal development activities. The executive requests an increase for additional board per diem and operating costs. The executive also requests a \$5,729,255 biennial appropriation to grant and loan local impact coal severance tax funds in the 1997 biennium, an increase over the \$1,494,835 granted in fiscal 1994.

Prior to the 1995 biennium, local impact grants were appropriated annually. However, passage of HB 350 in the 1993 session amended section 90-6-212, MCA, to require the unexpended balance in the local impact account to be deposited to the school equalization aid account at the end of each fiscal year, rather than at the end of the biennium.

5) Hard Rock Mining Board - The executive requests \$104,362 state special revenue in fiscal 1996 and \$102,893 in fiscal 1997 to pay total program costs. The request includes an increase of \$2,927 in fiscal 1996 and \$1,199 in fiscal 1997 for additional board per diem, operating costs, and equipment over fiscal 1994 expenditures.

Revenues from 1.5 percent of metalliferous mines license tax collections are deposited to the state special revenue hard rock mining trust account and used by the board to pay administrative and operating expenses, and to maintain a reserve of no more than \$100,000 (section 90-6-304, MCA). Revenue in the reserve may be used for board expenses only if tax collections are less than legislative appropriations or if the funds are needed for the board to meet its obligations for mining impact plans. The 1993 legislature appropriated an additional \$100,000 each fiscal year of the 1995 biennium from the reserve. Nothing was spent in fiscal 1994. As directed by section 90-6-331, MCA, money in excess of the \$100,000 reserve, as of every September 1, is statutorily appropriated to counties where the money originated. In fiscal 1994, expenditures exceeded the \$93,451 in revenues, leaving a fund balance of \$82,287.

LFA Issue - The Revenue Oversight Committee estimates that \$84,465 of tax revenue will be deposited to the account in fiscal 1996 and \$79,648 in fiscal 1997. Since this amount is less than the amount of expenditures requested by the executive, the fund balance will decline further below the \$100,000 reserve. Any further appropriations from this account will further reduce the reserve, deplete the fund balance, and make it less likely that return of tax revenue to counties will occur.

6) Community Assistance - The executive requests an increase of \$7,729 general fund in fiscal 1996 and \$6,202 in fiscal 1997 for operating costs and equipment purchases.

7) County Land Planning - The executive requests \$166,301 state special revenue in fiscal 1996 and \$161,085 in fiscal 1997 for county land planning grants, an increase over the \$155,586 spent in fiscal 1994. Revenue from 0.38 percent of coal severance tax collections is used to assist land planning and is distributed \$3,000 to each county, with the remainder apportioned to counties based on land area and population (section 90-1-108, MCA).

8) HOME Program - The executive requests \$9,990,246 federal funds for the 1997 biennium. The request includes increases in operating costs and equipment. The request also includes grants totaling \$5,821,350 in fiscal 1996 and \$3,998,571 in fiscal 1997, an increase over the \$1,995,356 spent in fiscal 1994. Other program expenditures are in numbers 1, 2, and 3 above. The 1993 legislature approved the beginning of this program with 6.00 FTE and \$10,845,987 federal funds for the 1995 biennium.

9) Section 8 Housing - The executive requests \$35,997,488 federal funds in the 1997 biennium. The request includes increases in operating expenses and equipment, primarily for contracted services for planning and surveys. The request also includes grants totaling \$17,098,283 in fiscal 1996 and \$17,331,234 in fiscal 1997, an increase over the \$14,506,324 spent in fiscal 1994. Other program expenditures are in numbers 1, 2, and 3 above.

10) Community Development Block Grants - The executive requests \$13,327,735 federal funds in the 1997 biennium. The request includes increases in operating expenses and equipment, primarily due to a \$47,855 increase each fiscal year in contracted services for technical assistance to communities and financial analysis of grant applications. The executive general fund match request for the increased federal funds is \$127,000 each fiscal year, an increase over the \$97,305 spent in fiscal 1994. The request also includes grants totaling \$6,509,141 each fiscal year, an increase over the \$4,799,536 spent in fiscal 1994.

11) Treasure State Endowment - The executive requests an increase of \$21,748 state special revenue in fiscal 1996 and \$20,103 in fiscal 1997 for operating costs and equipment purchases, primarily due to increases in travel and recharges to pay administration expenses in the Local Government Assistance-Administration program. The Treasure State Endowment Program was initiated by the 1993 legislature in HB 663, and funding for 3.00 FTE and operating expenses was appropriated to the department to administer the program. The executive has increased the FTE for this program from the 3.00 FTE funded by the 1993 legislature to 3.25 FTE.

12) Other - Miscellaneous operating changes are immaterial.

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Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 CDBG Consolidated Plan	0.00	\$0	\$65,890	0.00	\$0	\$65,890
2 Section 8 Housing Equipment	0.00	0	25,000	0.00	0	0
3 Personal Services Reductions	0.00	0	(5,266)	0.00	0	(5,497)
Totals	0.00	\$0	\$85,624	0.00	\$0	\$60,393

Executive New Proposals

1) CDBG Consolidated Plan - The executive requests an additional \$65,890 federal funds each fiscal year to develop a new consolidated planning process for application requirements related to CDBG, HOME, and emergency shelter grants. Department staff state that federal funding for these programs is dependent on completion of the plan in the 1997 biennium. The new plan, termed the consolidated community development plan and strategy, requires Montana to define 3 to 5 year community development strategies covering housing, social services, public facilities, and economic development. The previous plan, termed the comprehensive housing affordability strategy (CHAS), was based only on housing needs.

Since the plan will be completed in the 1997 biennium, the legislature may wish to require that expenditures from this item not be included in the executive 1999 biennium request.

2) Section 8 Housing Equipment - The executive requests \$25,000 federal funds to purchase 10 new computers and 10 new printers for use by field staff for entering participant data at the local level.

3) Personal Services Reductions - The executive applies a 0.56 percent vacancy savings rate to reduce personal services by \$5,266 federal funds in fiscal 1996 and \$5,497 in fiscal 1997. In present law, the executive requests \$1,266 each fiscal year to fund overtime.

DEPARTMENT OF COMMERCE

Program Summary

LOCAL GOVT AUDIT & SYSTEMS BUR

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	28.50	(3.50)	(16.00)	9.00	(3.50)	(16.00)	9.00	9.00
Personal Services	839,446	21,389	(504,217)	356,618	25,609	(506,249)	358,806	715,424
Operating Expenses	260,239	(18,727)	(11,917)	229,595	(12,466)	(11,917)	235,856	465,451
Equipment	0	3,200	0	3,200	3,200	0	3,200	6,400
Transfers	144,918	(144,918)	0	0	(144,918)	0	0	0
Debt Service	2,507	2,169	0	4,676	1,586	0	4,093	8,769
Total Costs	\$1,247,110	(\$136,887)	(\$516,134)	\$594,089	(\$126,989)	(\$518,166)	\$601,955	\$1,196,044
Fund Sources								
General Fund	144,919	205,081	0	350,000	205,081	0	350,000	700,000
Proprietary	1,102,191	(341,968)	(516,134)	244,089	(332,070)	(518,166)	251,955	496,044
Total Funds	\$1,247,110	(\$136,887)	(\$516,134)	\$594,089	(\$126,989)	(\$518,166)	\$601,955	\$1,196,044

Program Description

The Local Government Services - Audit program performs two main functions - audits and systems development.

The audit portion provides for the financial and compliance post auditing of the financial statements of local taxing jurisdictions in Montana, as required by law. These audits are conducted by staff and through contracts with private accounting firms. Special audits are performed in cases of suspected fraud or misappropriation of funds. Through this function, audit program standards are set and technical assistance is provided to local, state, and federal governments as well as private individuals. The audit function is designed to protect the taxpayers' interests by verifying that the financial conditions and operations are responsibly accounted for and reported and that local officials are complying with appropriate statutes and regulations.

The systems function develops, implements, and maintains the uniform budgeting, accounting, and reporting systems for Montana cities, towns, counties, school districts, and other special purpose taxing jurisdictions. It provides technical assistance on accounting and reporting standards to local financial personnel and coordinates technical and procedural assistance between state agencies and local governments, and is the central state repository of annual budget documents and financial reports from counties, cities, and towns.

Funding

The Local Government Services - Audit program's primary funding source is proprietary revenue derived from service fees assessed to local governments. General fund supports costs that cannot be billed to local governments, and is transferred to the proprietary account for expenditure by the program.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	Fiscal 1996	FTE 1996 Adjustments	Fiscal 1997	FTE 1997 Adjustments
Statewide Present Law Adjustments				
1 Personal Services - Base Adjustment		0.50 Included Below		0.50 Included Below
2 Inflation/Deflation		Included Below		Included Below
3 Fixed Costs		Included Below		Included Below
Other Executive Present Law Adjustments				
4 Audit Function				
FTE	(7.75)		(7.75)	
General Fund		\$0		\$0
Proprietary Fund		(296,242)		(294,318)
5 System Function				
FTE	3.5		3.5	
General Fund		205,081		205,081
Proprietary Fund		(71,530)		(65,494)
6 Review Function				
FTE	0.25		0.25	
General Fund		0		0
Proprietary Fund		25,804		27,742
Total Executive Present Law Adjustments	(3.50)	(\$136,887)	(3.50)	(\$126,989)

The executive proposes major program changes, both in present law and in new proposals. The executive has stated that the program’s audit function will be eliminated beginning fiscal 1996. It is expected that private auditors would provide the required audits. However, funding for the program is still requested in present law. A 142 percent increase in general fund is requested to expand the systems function of the program. The executive proposal would shift financial burden to local communities who previously could not pay for audits, and would also impose additional costs to the general fund.

LFA Issue - Local Government Services Audit Program

Background - During the 1993 session, the legislature combined the former Local Government Services-Systems Program into the current Local Government Services-Audit Program. This program has three functions: 1) the audit function, which provides for audits of local government entities, either through a private CPA firm or by performing the audit itself after being awarded the contract through a competitive bidding process; 2) the review function, which reviews all audits performed on local governments and local government’s response to management letters contained in the audits; and 3) the systems function, which maintains the uniform budgeting, accounting, and reporting system (BARS) for local governments and provides technical assistance to local governments when requested.

Two of these functions collect fees from local governments and deposit them in a proprietary account to support agency operations: 1) the audit function charges an hourly rate for department completed audits; and 2) the systems function charges local governments an annual maintenance fee for the BARS. Fees collected by the audit and systems functions are insufficient to support program costs, so general fund is used to support costs that cannot be billed to

local governments. For example, the audit function provides audit subsidies and free audit work to communities that cannot afford to purchase required audit services; and both programs provide technical assistance to local government entities free of charge, while the audit program also provides free technical assistance to private CPA firms.

Executive Present Law - The executive states that the audit function will be privatized beginning fiscal 1996, but requests funding for the 1997 biennium. The present law changes from fiscal 1994 expenditure levels in the three functions are:

4) Audit Function - The executive transfers funding for 7.75 FTE each fiscal year from the audit function to the: a) systems function - 3.50 FTE; b) audit review function - 0.25 FTE; c) Professional Occupational Licensing Bureau - 1.00 FTE; d) Economic Development Division - 2.00 FTE; and e) Community Development Program - 1.00 FTE. The Executive Budget includes only personal services funding for 15.00 FTE and \$11,917 in travel, but does not provide any other funding for operations. The elimination of funding for the 15.00 FTE and travel is proposed in two new proposals (see the "Executive New Proposal" section). Although general fund was appropriated by the legislature for the audit program in the 1995 biennium, the executive has eliminated funding from this source. Since general fund pays for and subsidizes audits in communities that can not afford them, under the executive proposal the costs of the required audits will be borne by these communities. Since fewer audits will be conducted due to reduction in personnel, less revenue will be deposited to the proprietary account. The executive estimates that approximately \$65,000 proprietary funds will be needed to contract for audits that will not be done by private auditors. Since these audits will most likely be for entities unable to pay, the department plans to receive revenue from the garnishment of revenue to that entity from any state source.

5) System Function - The executive transfers funding for 3.50 FTE each fiscal year to this function from the audit function, increasing FTE from 2.50 to 6.00. General fund is increased by 142 percent to \$350,000 each fiscal year to fund the additional FTE and to replace the lost proprietary revenue due to the personnel reductions in the audit function. The executive increases the total budget for this function by \$133,551 in fiscal 1996 and \$139,587 in fiscal 1997 to expand the design, maintenance, and training of the BARS and to establish a County Collections Manual.

Section 2-7-518, MCA, states that all fees received from local government entities must be deposited to the proprietary fund for administration of audits of local communities. Section 2-7-514 directs the department to charge a filing fee for completed financial reports required to be submitted to the department by all local government entities. The fee must be commensurate with costs incurred by the department. The legislature has given the department rule-making authority to set the fee. This filing fee was raised recently to generate the necessary revenue to repay a fiscal 1992 general fund 5-year loan. To replace all or a portion of the general fund in the systems function, the legislature may wish to direct the department to set fees commensurate with cost. See option numbers 2 and 4 below.

To comply with Generally Accepted Accounting Principles (GAAP), general fund must be transferred to and spent from a proprietary account. The executive does not provide for this transfer. Any general fund budgeted in the systems function must be transferred into the proprietary account.

OPTION: Increase proprietary funding each fiscal year by the amount of general fund budgeted in the program and increase transfer expenditures by like amounts.

6) Audit Review Function - The executive transfers funding for 0.25 FTE each fiscal year to this function from the audit function. The increase requested in proprietary funding is due to increased personal services costs, operating costs, and equipment purchases.

Summary - The executive proposes to eliminate the local government audit function of the program through adjustments in present law and new proposals (see the "Executive New Proposals" section). In doing so, the executive transfers 4.00 FTE (previously funded from proprietary funds) to other programs where they are funded with state special, federal, and general fund revenue. In addition, 3.50 FTE are moved to the systems function to support a

major expansion in that function, funded with an additional \$205,081 general fund. The audit review function is also increased by an additional 0.25 FTE. Table 5 shows that the total executive proposal (present law and new proposals) reduces the program by 20.00 FTE and \$858,021 proprietary funds in fiscal 1996 and \$850,155 in fiscal 1997. However, the proprietary reduction is offset by a \$205,081 increase in general fund.

Under the executive proposal, the statutory requirement for audits will remain, but the audit function will be privatized. Since this program will no longer provide subsidized audits to local communities, the proposal will increase the financial burden on local communities. Additional financial burdens may also be placed on local communities if private auditors charge a higher fee than this program had charged for the required audits.

Legislative Options

- 1) Agree with the executive proposal to: a) eliminate the audit function (proposed in both present law and as a new proposal); b) move 4.00 FTE from the audit functions to other divisions in the department funded with state and federal revenue and general fund; c) expand the systems function with 3.50 FTE from the audit function funded with increased general fund; and d) move 0.25 FTE from the audit function to expand the review function.
- 2) Agree with the executive proposal, but replace all or a portion of general fund with proprietary funds derived from increased fees. Encourage the department to amend its rules to charge filing fees commensurate with costs.
- 3) Do not agree with the executive proposal, and fund all functions at the fiscal 1994 level of expenditures for personal services, operations, and equipment.
- 4) Do not agree with the executive proposal, but replace all or a portion of general fund with proprietary funds derived from increased fees. Encourage the department to amend its rules to charge filing fees commensurate with costs.
- 5) Take no action until the privatization plan required by section 2-8-302, MCA, is prepared and reviewed by the legislative audit committee, and a public hearing is conducted.

Table 5
Local Government Services
Executive Budget Differences
From Fiscal 1994

Function	Fiscal 1996	Fiscal 1997
Audit Function		
FTE	(23.75)	(23.75)
General fund	\$0	\$0
Proprietary	(812,376)	(812,484)
Total	(\$812,376)	(\$812,484)
Systems Function		
FTE	3.50	3.50
General fund	\$205,081	\$205,081
Proprietary	(71,530)	(65,494)
Total	\$133,551	\$139,587
Audit Review		
FTE	0.25	0.25
General fund	\$0	\$0
Proprietary	25,804	27,742
Total	\$25,804	\$27,742
Total		
FTE	(20.00)	(20.00)
General fund	\$205,081	\$205,081
Proprietary	(858,102)	(850,236)
Total	(\$653,021)	(\$645,155)

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Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Operating Expense Reduction			(\$11,917)			(\$11,917)
2 Personal Services Reductions	(16.00)		(504,217)	(16.00)		(506,249)
Totals	(16.00)		(\$516,134)	(16.00)		(\$518,166)

Executive New Proposals

1) Operating Expense Reduction - The executive eliminates the \$11,917 proprietary funding each fiscal year for travel requested in present law.

2) Personal Services Reductions - The executive proposes to eliminate all present law funding for the audit function, consisting of 16.00 FTE and \$504,217 proprietary funding in fiscal 1996 and \$506,249 in fiscal 1997. The executive has stated that the audit function will be privatized beginning fiscal 1996, but has included funding for 15.00 FTE in its present law request. This new proposal would eliminate funding for the 15.00 FTE in the audit function; however, because the other specific position identified by the executive for the reduction is not budgeted in the audit function's present law, an FTE would be removed from either the systems or audit review function. Table 5 under "Executive Present Law" shows the total effect (present law and new proposals) of the executive proposal.

DEPARTMENT OF COMMERCE

LOCAL GOVT ASSISTANCE ADMIN

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	2.50	0.00	0.00	2.50	0.00	0.00	2.50	2.50
Personal Services	115,711	1,957	0	117,668	2,375	0	118,086	235,754
Operating Expenses	11,569	392	0	11,961	58	0	11,627	23,588
Total Costs	\$127,280	\$2,349	\$0	\$129,629	\$2,433	\$0	\$129,713	\$259,342
Fund Sources								
Proprietary	127,280	2,349	0	129,629	2,433	0	129,713	259,342
Total Funds	\$127,280	\$2,349	\$0	\$129,629	\$2,433	\$0	\$129,713	\$259,342

Program Description

The Local Government Assistance Administration program provides professional and legal services to twelve service and financial assistance programs. The program supervises the Community Development Bureau (which includes the Coal Board, Hard Rock Mining Board, and Housing Assistance program), and the Local Government Services Bureau (which includes the Audit and the Systems functions).

Funding

The Local Government Assistance Administration program's funding source is proprietary revenue derived from assessments to the Local Government Services and Community Development programs.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$1,957		\$2,375
2 Inflation/Deflation		(121)		(176)
3 Fixed Costs		493		180
<i>Other Executive Present Law Adjustments</i>				
4 Other		\$20		\$54
<i>Total Executive Present Law Adjustments</i>	0.00	\$2,349	0.00	\$2,433

- 1) Personal services - The increase is due to pay raises authorized by the 1993 legislature.
- 4) Other - Miscellaneous changes to present law are less than 1 percent of operating expenses.

Other LFA Issues

Elimination of the Local Government Services Audit Function - Through present law adjustments and a new proposal, the executive proposes to eliminate the audit function in the Local Government Services program. The Local Government Assistance Administration program provided \$10,627 in assistance to the audit function in fiscal 1994. Since this assistance would not be needed if the audit function were eliminated, the legislature may wish to reduce personal services funding in the Local Government Assistance Administration program.

DEPARTMENT OF COMMERCE

Program Summary

BUILDING CODES BUREAU

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	35.00	(1.00)	8.00	42.00	(1.00)	8.00	42.00	42.00
Personal Services	1,068,591	39,177	251,251	1,359,019	42,656	251,572	1,362,819	2,721,838
Operating Expenses	366,746	31,841	62,879	461,466	32,682	62,928	462,356	923,822
Debt Service	1,770	(1,770)	0	0	(1,770)	0	0	0
Total Costs	\$1,437,107	\$69,248	\$314,130	\$1,820,485	\$73,568	\$314,500	\$1,825,175	\$3,645,660
Fund Sources								
State/Other Special	1,437,107	69,248	314,130	1,820,485	73,568	314,500	1,825,175	3,645,660
Total Funds	\$1,437,107	\$69,248	\$314,130	\$1,820,485	\$73,568	\$314,500	\$1,825,175	\$3,645,660

Program Description

The Building Codes Bureau establishes and enforces minimum building, plumbing, mechanical, electrical, energy, and elevator codes. This enforcement safeguards the public, employees, and property in the design and construction of buildings, built-in-Montana recreational vehicles, and factory-built buildings manufactured or offered for sale in Montana. When possible, the program approves and certifies local government code enforcement programs to utilize codes adopted by the program. The program also has public contractor licensing responsibilities. The Public Contractor's Licensing program is administered and enforced by the program.

The executive transferred administrative support, including enforcement and licensing duties provided to the Board of Plumbers and the State Electrical Board (both of which were formerly administratively attached to this program), to the Professional and Occupational Licensing Bureau in fiscal 1995.

Funding

The Building Codes Bureau is entirely funded from inspection fees deposited in the state special revenue fund. Prior to the 1995 biennium, the contractor's licensing function had been supported with general fund, but the 1993 legislature replaced that support with fee income from the building codes state special revenue fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The increase is primarily due to the net of fiscal 1994 vacancy savings and a transfer of 1.00 FTE. Beginning in fiscal 1995, the executive transferred the Board of Plumbers and the Electrical Board from the Building Codes Bureau to the Professional and Occupational Licensing Bureau. The move transfers a 1.00 FTE grade 12 license technician and \$139,931 in spending authority from the Building Codes Bureau. Because of this transfer of authority and unbudgeted personal services costs, \$88,284 of excess authority in the Montana Promotion Division was transferred to this program to fund vacancy savings, retirement costs, and to fund an additional 0.75 FTE in fiscal 1994.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(1.00)	\$39,177	(1.00)	\$42,656
2 Inflation/Deflation		3,110		6,619
3 Fixed Costs		11,197		8,247
<i>Other Executive Present Law Adjustments</i>				
4 Vacant Positions		\$16,855		\$16,855
5 Indirect & Legal Costs		4,298		4,580
6 Professional Organization Conferences		3,500		3,500
7 Books		9,300		9,300
8 Recharges & Debt Service		(18,189)		(18,189)
<i>Total Executive Present Law Adjustments</i>	<i>(1.00)</i>	<i>\$69,248</i>	<i>(1.00)</i>	<i>\$73,568</i>

Although these two boards were supported by 2.00 FTE in the Building Codes Bureau, only 1.00 FTE is being transferred, leaving 1.00 FTE remaining in the Building Codes Bureau. In addition to this additional FTE, the Building Codes Bureau is requesting a new proposal for 8.00 FTE based on an increase in workload.

2) Inflation & 3) Fixed Costs - Inflation on operating expenses is primarily due to anticipated increases in printing, gasoline, and postage. Fixed costs differ between fiscal 1996 and 1997 due to the biennial appropriation requested in fiscal 1996 to pay Legislative Auditor fees.

4) Vacant Positions - The executive requests increases in contracted services and travel-related expenses totaling \$16,855 each fiscal year because of low expenditures in the base year due to the program not being fully staffed. Due to an anticipated need for additional building inspectors, the 1993 legislature approved additional funding for 6.00 FTE beginning fiscal 1994. The program did not hire the full 6.00 FTE at the beginning of fiscal 1994. Department staff state that because of vacancies in these positions during fiscal 1994, the base does not reflect operating expenses required for full staffing.

The executive requests an additional 8.00 FTE building inspectors as a new proposal (see the "Executive New Proposal" section).

5) Indirect & Legal Costs - The executive requests: a) \$89,729 in fiscal 1996 and \$90,011 in fiscal 1997 to pay indirect support to the Director/Management Services Division, an increase over the \$87,432 spent in fiscal 1994; and b) \$6,615 each fiscal year for legal fees and court costs, an increase over the \$4,614 spent in fiscal 1994.

6) Professional Organization Conferences - The executive requests \$3,500 each fiscal year for staff to attend professional organization conferences and other seminars. Nothing was spent for this purpose in fiscal 1994.

7) Books - The executive requests \$17,000 each fiscal year to purchase code books in quantity for resale to the public, an increase over the \$7,700 spent in fiscal 1994. The executive states that a portion of the authority appropriated by the legislature for this purpose was used to fund personal services reductions imposed by the legislature.

8) Recharges and Debt Service - Since the Public Safety program was eliminated in fiscal 1995, recharges previously appropriated to fund a portion of that program are no longer required. In addition, the executive does not request funding for debt service in the 1997 biennium.

6501 65 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Electrical/Plumbing Inspectors	8.00		\$320,640	8.00		\$321,296
2 Personal Services Reductions			(6,510)			(6,796)
Totals	8.00		\$314,130	8.00		\$314,500

Executive New Proposals

1) Electrical/Plumbing Inspectors - The executive requests an additional 8.00 FTE and \$320,640 state special revenue in fiscal 1996 and \$321,296 in fiscal 1997 to perform additional electrical and plumbing inspections. Department staff state that because of the increase in construction activity and decertification of the county inspection program in Flathead County, which puts responsibility back to the state, current staffing levels are inadequate to complete statutory requirements. The department estimates that between 5,100 and 6,400 new electrical and plumbing permits will be issued that will not be inspected under current staffing levels. The request includes \$42,000 each year in travel related expenses and \$20,879 in fiscal 1996 and \$20,928 in fiscal 1997 to pay indirect support to the Director/Management Services Division.

The program has received additional personal services funding in the last 1.5 years. Due to an anticipated need for building inspectors because of increased building activity, the 1993 legislature approved additional funding for 6.00 FTE beginning fiscal 1994. However, a number of positions were not completely filled during fiscal 1994 (see number 4 under the "Executive Present Law" section). In addition to the legislatively approved increase, in fiscal 1995 the program received funding for an additional 3.00 FTE inspectors through program transfer of authority from the Montana Promotion Division and through the budget amendment process. These increases are not continued in the 1997 biennium. The Executive Budget moves all administrative duties associated with the Electrical and Plumbing boards, funding, and 1.00 FTE to the Professional and Occupational Licensing Bureau. Since these boards were provided funding for 2.00 FTE, the remainder of the program has received an additional 1.00 FTE

Counties may choose to become certified and conduct their own inspection program. Total inspections under state responsibility may be less than the department estimates if Gallatin, Lake, Lewis & Clark, Missoula, and Ravalli counties become certified. If this occurs, the legislature may wish to consider reducing this new proposal.

2) Personal Services Reductions - Even though the executive requests additional personal services funding for a 1.00 FTE in present law (see number 1 under the "Executive Present Law" section) and 8.00 additional inspectors in the above new proposal based on an increase in workload, it reduces personal services funding in this new proposal. The executive applies a 0.59 percent vacancy savings rate to reduce personal services by \$6,510 state special revenue in fiscal 1996 and \$6,796 in fiscal 1997.

DEPARTMENT OF COMMERCE
 Program Summary

INDIAN AFFAIRS COORDINATOR

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	129,527	4,376	0	133,903	4,975	0	134,502	268,405
Operating Expenses	34,993	3,610	0	38,603	3,750	0	38,743	77,346
Total Costs	\$164,520	\$7,986	\$0	\$172,506	\$8,725	\$0	\$173,245	\$345,751
Fund Sources								
General Fund	100,868	7,388	0	108,256	7,592	0	108,460	216,716
Federal Special	63,652	598	0	64,250	1,133	0	64,785	129,035
Total Funds	\$164,520	\$7,986	\$0	\$172,506	\$8,725	\$0	\$173,245	\$345,751

Program Description

The Coordinator of Indian Affairs program serves as the Governor's liaison with the state's Indian tribes, provides information and policy support on issues confronting the Indians of Montana, and advises and makes recommendations to the legislative and executive branches on these issues. The coordinator also serves the Montana Congressional delegation as an advisor and intermediary in the field of Indian affairs and acts as spokesman for representative Native American organizations and groups, both public and private, whenever that support is requested.

Funding

The Indian Affairs Coordinator program is funded with general fund and federal funds from the Federal Highway Administration and the Montana Human Rights Council.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$4,376		\$4,975
2 Inflation/Deflation		584		862
3 Fixed Costs		1,213		970
<i>Other Executive Present Law Adjustments</i>				
4 General Fund Operations		\$1,902		\$1,919
5 Other		(89)		(1)
<i>Total Executive Present Law Adjustments</i>	0.00	\$7,986	0.00	\$8,725

- 1) Personal Services - The increase is due to the net of reversions, the pay plan authorized by the 1993 legislature, and increased benefits.
- 4) General Fund Operations - The executive requests an increase in general fund operations of 7.4 percent for various miscellaneous expenses, primarily printing.
- 5) Other - Miscellaneous changes to present law are immaterial.

DEPARTMENT OF COMMERCE
 Program Summary

HEALTH FACILITIES AUTHORITY

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	1.00	0.00	0.00	1.00	0.00	0.00	1.00	1.00
Personal Services	52,269	1,187	0	53,456	1,526	0	53,795	107,251
Operating Expenses	84,968	33,076	0	118,044	15,801	0	100,769	218,813
Total Costs	\$137,237	\$34,263	\$0	\$171,500	\$17,327	\$0	\$154,564	\$326,064
Fund Sources								
Proprietary	137,237	34,263	0	171,500	17,327	0	154,564	326,064
Total Funds	\$137,237	\$34,263	\$0	\$171,500	\$17,327	\$0	\$154,564	\$326,064

Program Description

The Montana Health Facilities Authority program was established by the 1983 legislature to help eligible health care institutions access the tax-exempt interest market. The program issues tax-exempt bonds to finance health care facility projects at interest rates below those which would be available at taxable rates. Two types of programs are operated by the authority: one to provide financing for individual facilities and the other to satisfy the capital needs of a pool of facilities.

Funding

The Health Facilities Authority program is funded with proprietary funds derived from fees charged for loan applications and income from investments.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The increase is due to the pay raise authorized by the 1993 legislature and increased benefits.
- 3) Fixed Costs - Fixed costs differ between fiscal 1996 and 1997 due to the biennial appropriation requested in fiscal 1996 to pay Legislative Auditor fees.
- 4) Contracted Services - The executive requests \$33,081 in fiscal 1996 and \$17,581 in fiscal 1997 for contracted services, an increase over the \$16,553 spent in fiscal 1994. Contracts include: a) payment of bond issuance and financial advisory fees to the Department of Administration -\$14,581 each fiscal year; b) audits of bond trustees - \$15,500 in fiscal 1996; and c) legal services - \$3,000 each fiscal year.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$1,187		\$1,526
2 Inflation/Deflation		(62)		(106)
3 Fixed Costs		4,603		(155)
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$16,528		\$1,028
5 Cyclical Costs		0		2,990
6 Board of Investment Support		11,473		11,473
7 Other		534		571
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$34,263</u>	<u>0.00</u>	<u>\$17,327</u>
<i>LFA Issues With Executive PL Adjustments</i>				
4 Contracted Services				
6 Board of Investment Support				

LFA Issue - The 1993 legislature provided an additional \$30,081 in fiscal 1994 for these purposes, of which \$16,553 was spent. The legislature may wish to reduce the executive request by \$16,528 each fiscal year to the level of services provided in fiscal 1994.

5) **Cyclical Costs** - The executive requests an additional \$2,990 in fiscal 1997 to pay the biennial cost of the program's financial audit report.

6) **Board of Investments Support** - The executive requests \$51,825 each fiscal year to pay the Board of Investments for administrative and professional support services in lieu of an additional 1.00 FTE staff, an increase over the \$40,352 spent in fiscal 1994. Since fiscal 1990 (when funding for this purpose was first authorized), the average yearly expenditure has been \$34,724.

LFA Issue - The executive request for operational support is a 49 percent increase over the 5-year average expenditure and a 28 percent over fiscal 1994 expenditures.

7) **Other** - Miscellaneous increases to present law are due primarily to increased maintenance contracts and indirect support of the Director/Management Services Program.

DEPARTMENT OF COMMERCE

Program Summary

MT SCIENCE & TECH ALLIANCE

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	6.00	(1.00)	0.00	5.00	(1.00)	0.00	5.00	5.00
Personal Services	224,303	1,141	0	225,444	1,788	0	226,091	451,535
Operating Expenses	107,800	14,657	0	122,457	12,640	0	120,440	242,897
Total Costs	\$332,103	\$15,798	\$0	\$347,901	\$14,428	\$0	\$346,531	\$694,432
Fund Sources								
State/Other Special	332,103	15,798	0	347,901	14,428	0	346,531	694,432
Total Funds	\$332,103	\$15,798	\$0	\$347,901	\$14,428	\$0	\$346,531	\$694,432

Program Description

The Montana Science and Technology Alliance (MSTA) program invests state funds in science and technology development through two programs: 1) the **Seed Capital Investment program**, which has authority to invest \$15.5 million of the permanent coal trust (PCT) in new and expanding technology-based businesses in Montana; and 2) the **Research and Development Financing program**, which has authority to invest up to \$8.1 million of the PCT in research that has technological and commercial potential.

Funding

The MSTA program is funded with state special revenue derived from loan paybacks and earnings on investments of permanent coal trust funds. HB 394, passed by the 1993 legislature, made significant changes to MSTA's funding by: 1) directing that earnings on permanent coal trust fund loans be deposited to MSTA's state special revenue account to pay administrative costs (instead of being deposited 85 percent to the general fund and 15 percent to the school equalization aid account), with the balance, after payment of administrative costs, deposited in the permanent coal trust fund within thirty days; 2) stating that the university system must repay at least \$250,000 per year beginning in fiscal 1993 for research and development loans they have received from MSTA; and 3) authorizing the Board of Investments to reimburse the department for MSTA's administrative costs not covered by loan paybacks or earnings with interest income from the permanent coal trust fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Recent Legislative Fiscal Analyst (LFA) staff reports and updates on the program's operations and funding are available from the LFA office.

1) Personal Services - The decrease is primarily due to the net of vacancy savings, the pay plan authorized by the 1993 legislature, and the transfer of 2.00 FTE to other programs. The executive's present law and base adjustments reflect the transfers a 1.00 FTE grade 13 accountant and a 1.00 FTE grade 16 investment analyst to the Montana Promotion Division. Funding from this transfer is used to create a 1.00 FTE grade 10 administrative support position and a 1.00 FTE grade 16 assessment and development position in the Montana Promotion Division. Department staff state that additional program staff is required in that program to meet recently implemented changes.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(1.00)	(\$1,059)	(1.00)	(\$412)
2 Inflation/Deflation		328		455
3 Fixed Costs		807		11
<i>Other Executive Present Law Adjustments</i>				
4 Operating & Per Diem		\$15,722		\$14,374
<i>Total Executive Present Law Adjustments</i>	<u>(1.00)</u>	<u>\$15,798</u>	<u>(1.00)</u>	<u>\$14,428</u>

4) Operating & Per Diem - The executive requests increases of \$15,722 in fiscal 1996 and \$14,374 in fiscal 1997 over fiscal 1994 expenditures. Operating increases are primarily due to contracted printing, technical review of project proposals and business plans, and legal services due to an expected increase in portfolio exiting activity. Per diem increases \$2,200 each fiscal year based on the assumption that all board members will attend the 12 yearly meetings.

DEPARTMENT OF COMMERCE**BOARD OF HOUSING**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	14.00	0.00	0.00	14.00	0.00	0.00	14.00	14.00
Personal Services	414,478	26,183	(2,681)	437,980	28,452	(2,798)	440,132	878,112
Operating Expenses	654,396	286,255	0	940,651	194,431	0	848,827	1,789,478
Equipment	8,185	(8,185)	0	0	(8,185)	0	0	0
Debt Service	266	(266)	0	0	(266)	0	0	0
Total Costs	\$1,077,325	\$303,987	(\$2,681)	\$1,378,631	\$214,432	(\$2,798)	\$1,288,959	\$2,667,590
Fund Sources								
Proprietary	1,077,325	303,987	(2,681)	1,378,631	214,432	(2,798)	1,288,959	2,667,590
Total Funds	\$1,077,325	\$303,987	(\$2,681)	\$1,378,631	\$214,432	(\$2,798)	\$1,288,959	\$2,667,590

Program Description

The Montana Board of Housing (BOH) is responsible for helping provide decent, safe, sanitary, and affordable housing to lower income individuals and families. The board operates single-family home ownership and multi-family rental housing programs, both through the issuance of revenue bonds, and through the allocation of federal tax credits. The proceeds are made available to individuals, private enterprise, and governmental entities. The board also operates a Reverse Annuity Mortgage Loan program to assist elderly lower income homeowners, and a Cash Assistance program to assist low income homebuyers. This seven-member board is appointed by the Governor and administratively attached to the department.

Funding

The BOH program is funded with proprietary revenue derived from an administrative charge applied to mortgages financed.

Prior to the 1995 biennium all BOH funds, including those appropriated by the legislature, have been deposited outside the state treasury. The 1993 legislature added language that required the BOH to deposit appropriated funds in the state treasury.

LFA Issue - The legislature may wish to again insert language in the general appropriations act that requires the BOH to, at the beginning of each fiscal year, deposit all funds appropriated in the general appropriations act and pay plan bill to the proprietary fund within the state treasury and that they remain in the state treasury until spent.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The increase is primarily due to the net of vacancy savings, the pay raise authorized by the 1993 legislature, early retirement buyouts, and other termination costs.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services		\$25,221		\$27,490
2 Inflation/Deflation		236		442
3 Fixed Costs		53,803		(12,030)
Other Executive Present Law Adjustments				
4 Per Diem		\$962		\$962
5 Operating		8,026		11,829
6 Increases Based on Estimates		224,190		194,190
7 Equipment and Loans		(8,451)		(8,451)
Total Executive Present Law Adjustments	0.00	\$303,987	0.00	\$214,432
LFA Issues With Executive PL Adjustments				
6 Increases Based on Estimates				

3) Fixed Costs - Fixed costs increase \$53,803 in fiscal 1996 and decrease \$12,030 in fiscal 1997. The increase in the first year and the decrease in the second year is due primarily to the \$65,873 biennial appropriation requested in fiscal 1996 to pay Legislative Auditor fees. Fiscal 1994 expenditures were \$13,473.

4) Per Diem - The executive requests \$9,800 per diem each fiscal year, an increase over the \$8,838 spent in fiscal 1994, based on the assumption that all board members will attend the 12 yearly meetings.

5) Operating - The executive requests increases of \$8,026 in fiscal 1996 and \$11,829 in fiscal 1997 over fiscal 1994 expenditures. Operating increases are primarily due to: a) building rent - \$1,690 each fiscal year; b) maintenance contracts - \$3,076 in fiscal 1996 and \$6,696 in fiscal 1997; c) property management - \$1,559 each fiscal year; and d) indirect support for the Director/Management Services Division - \$1,701 in fiscal 1996 and \$1,884 in fiscal 1997.

6) Increases Based on Estimates - The executive requests increases totalling \$224,190 in fiscal 1996 and \$194,190 in fiscal 1997 based on the occurrence of a certain number of events. In the past, these events have not occurred at the estimated level.

Appraiser fees (increase of \$3,300 each fiscal year) - The executive requests \$4,000 each fiscal year for appraisals necessary to loan funds in its reverse annuity mortgage program, an increase over the \$700 spent in fiscal 1994. The executive estimates that 10 new loans would be closed per year at a cost of \$400 each.

Refunding bond issues (increase of \$60,000 in fiscal 1996 and \$30,000 in fiscal 1997) - The executive requests \$425,354 in fiscal 1996 and \$395,354 in fiscal 1997 for contracted services, an increase over the \$365,354 spent in fiscal 1994. The executive estimates that three additional refunding bond issues of \$40 million each will occur in the 1997 biennium. The 1993 legislature increased funding by \$40,000 in fiscal 1994 and \$65,000 in fiscal 1995, based on similar estimates, to \$420,512. Because the increases did not occur, excess authority was reverted. Historically over the past four years, yearly expenditures have averaged \$362,226.

Legal fees (increase of \$14,745 each fiscal year) - The executive requests \$40,000 each fiscal year for contracted legal services, an increase over the \$25,255 spent in fiscal 1994. The program has entered into contracts with two entities to provide these services, with a maximum allowable charge of \$20,000 each. The executive estimates that the maximum limit on both contracts in both fiscal years will be spent. The 1993 legislature increased funding to the same \$40,000 maximum requested by the executive. Because maximum expenditures did not occur, excess authority was reverted. Historically over the past four years, yearly expenditures have averaged \$28,793.

Foreclosure fees (increase of \$146,145 each fiscal year) - The executive requests \$192,000 each fiscal year to pay foreclosure fees on delinquent loans that are foreclosed, an increase over the \$45,855 spent in fiscal 1994. The executive estimates that there will be 96 foreclosures each year of the biennium at a cost of \$2,000 for each foreclosure. The 1993 legislature increased funding by \$141,947 each year of the 1995 biennium based on similar estimates. Because the foreclosures did not occur, excess authority was reverted. Historically over the past four years, yearly expenditures have averaged \$168,397, but have steadily decreased since fiscal 1989.

LFA Issue - In general, the legislature may wish to limit "contingency" type additional authority because: a) authority may be transferred to other programs where excess cash is available and increase expenditures for an activity not specifically approved by the legislature; b) authority may be transferred to other agencies where excess cash is available if the purpose of the original appropriation is maintained; c) excess authority may be used to spend funds that might be used to offset other funding sources, such as general fund; and d) other mechanisms exist to provide funding in unanticipated circumstances such as budget amendments, appropriation transfers, and appropriations in the budget amendment and supplemental bills.

7) Equipment and Loans - The executive does not request funding for equipment or loans.

6501 74 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions			(\$2,681)			(\$2,798)
Totals			(\$2,681)			(\$2,798)

Executive New Proposals

1) Personal Services Reductions - The executive applies a 0.61 percent vacancy savings rate to reduce personal services by \$2,681 proprietary funds in fiscal 1996 and \$2,798 in fiscal 1997.

6501 75 00000

DEPARTMENT OF COMMERCE				BOARD OF INVESTMENTS				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	28.00	0.00	1.00	29.00	0.00	1.00	29.00	29.00
Personal Services	1,169,407	63,529	25,938	1,258,874	68,739	25,804	1,263,950	2,522,824
Operating Expenses	527,615	48,460	54,266	630,341	(37,174)	54,165	544,606	1,174,947
Equipment	40,941	(15,941)	0	25,000	(15,941)	0	25,000	50,000
Debt Service	7,213	(507)	0	6,706	(7,213)	0	0	6,706
Total Costs	\$1,745,176	\$95,541	\$80,204	\$1,920,921	\$8,411	\$79,969	\$1,833,556	\$3,754,477
Fund Sources								
Proprietary	1,745,176	95,541	80,204	1,920,921	8,411	79,969	1,833,556	3,754,477
Total Funds	\$1,745,176	\$95,541	\$80,204	\$1,920,921	\$8,411	\$79,969	\$1,833,556	\$3,754,477

Program Description

The Board of Investments and its staff manage the Unified Investment program for public funds, required under Article VIII, Section 13 of the Montana constitution. The program manages four investment portfolios: 1) the **Fixed Income** portfolio, consisting of the long-term debt held by the board; 2) the **Equity** portfolio, consisting of common stock; 3) the **Short Term Investment Pool (STIP)** portfolio, which consists of securities with maturities of less than one year; and 4) the **Residential Loan and Commercial Loan** portfolio, which consists of Montana residential and commercial loans. The board is also responsible for administration of several programs which issue bonds for the purpose of assisting local governments, cities, and school districts, and providing funds to improve the state's economy.

Funding

The Board of Investments is funded with proprietary revenue derived primarily from two sources: 1) fees extracted from borrowers by increasing the spread between interest earned from loans and interest paid to bond holders, used to finance the bond program; and 2) charges to each portfolio that the board invests, used to finance the investment program. Both fees are adjusted after appropriations have been set by the legislature to generate the required revenue.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The increase is primarily due to the net vacancy savings, the pay plan authorized by the 1993 legislature, and termination payouts.

3) Fixed Costs - Deflation on operating expenses totals \$1,543 in fiscal 1996 and \$1,670 in fiscal 1997. Fixed costs increase \$28,758 in fiscal 1996 and decrease \$62,312 in fiscal 1997. The increase in the first year and the decrease in the second year is due primarily to the \$92,075 biennial appropriation requested in fiscal 1996 to pay Legislative Auditor fees. Fiscal 1994 expenditures were \$60,356.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$63,529		\$68,739
2 Inflation/Deflation		(1,543)		(1,670)
3 Fixed Costs		28,758		(62,312)
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$17,813		\$17,813
5 Indirect Costs		3,991		4,413
6 Equipment		(16,448)		(23,154)
7 Other		(559)		4,582
<i>Total Executive Present Law Adjustments</i>	0.00	\$95,541	0.00	\$8,411

4) Contracted Services - The executive requests \$45,000 each fiscal year for contracted services, an increase over the \$27,187 spent in fiscal 1994. Contracts include statewide budgeting and accounting system (SBAS) programming, maintenance, and automation. Department staff state that increased portfolio growth and complexity is expected in the 1997 biennium.

The 1993 legislature approved a \$15,000 yearly increase in the 1995 biennium for contacted services for bond compliance activities and computer system work. Of the total \$65,000 appropriated in fiscal 1994, \$18,449 was spent.

5) Indirect Costs - The executive requests \$99,868 in fiscal 1996 and \$100,290 in fiscal 1997 for indirect support of the Director/Management Services program, an increase over 1994 expenditures of \$95,877. The increase is due primarily to increased expenditures requested in the Director/Management Services program.

6) Equipment - The executive requests \$25,000 each fiscal year to purchase computer hardware and software. The board has abandoned its internal securities accounting system (for a \$16,000 yearly savings reflected in present law) and entered into a contract with State Street Bank and Trust Company to provide securities custodial services and provide a mainframe securities accounting system for the board's approximately \$4.6 billion invested assets. The request would provide the equipment necessary to remain compatible with the custodian's computer system.

7) Other - Miscellaneous adjustments to present law include a 4 percent yearly increase for building rent, office equipment, maintenance contracts, and a decrease due to the abandoning of the internal securities accounting system.

6501 75 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Board Of Investments	1.00		\$85,565	1.00		\$85,565
2 Personal Services Reductions			(5,361)			(5,596)
Totals	1.00		\$80,204	1.00		\$79,969

Executive New Proposals

1) Board of Investments - The executive requests an additional 1.00 FTE and \$85,565 each fiscal year for travel and for additional staffing due to workload increases. The increase includes: a) travel for securities analysts due to the growth in the in-state investment program - \$7,500 each fiscal year; b) a 1.00 FTE grade 14 mortgage analyst dedicated to the in-state investment and residential mortgage programs - \$31,299 in fiscal 1996 and \$31,400 in fiscal 1997; and c) funding to contract for a 1.00 FTE grade 8 administrative assistant and a 1.00 FTE grade 14 fixed income securities analyst. Department staff state that existing staff are unable to keep pace with the growth in assets invested by the Board.

2) Personal Services Reductions - The executive applies a 1.2 percent vacancy savings rate to reduce personal services by \$5,361 proprietary funds in fiscal 1996 and \$5,396 in fiscal 1997. Even though the executive requests additional personal services funding based on an increase in workload in the above new proposal, it reduces personal services funding in this new proposal.

DEPARTMENT OF COMMERCE

Program Summary

MONTANA STATE LOTTERY

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	35.00	0.00	0.00	35.00	0.00	0.00	35.00	35.00
Personal Services	1,155,611	1,906	(6,702)	1,150,815	6,817	(6,996)	1,155,432	2,306,247
Operating Expenses	6,955,399	(1,091,911)	120,000	5,983,488	(1,157,364)	120,000	5,918,035	11,901,523
Equipment	3,082	11,168	0	14,250	41,768	0	44,850	59,100
Debt Service	410	(410)	0	0	(410)	0	0	0
Total Costs	\$8,114,502	(\$1,079,247)	\$113,298	\$7,148,553	(\$1,109,189)	\$113,004	\$7,118,317	\$14,266,870
Fund Sources								
Proprietary	8,114,502	(1,079,247)	113,298	7,148,553	(1,109,189)	113,004	7,118,317	14,266,870
Total Funds	\$8,114,502	(\$1,079,247)	\$113,298	\$7,148,553	(\$1,109,189)	\$113,004	\$7,118,317	\$14,266,870

Program Description

The Montana Lottery program designs and markets lottery games that allow players to purchase chances at winning prizes. A five-member commission, appointed by the Governor, sets policy and oversees activities and procedures of the program. The Governor also appoints a program director who coordinates the lottery's marketing, operations, security, and administration. Revenue from lottery ticket sales is distributed to prizes (a minimum of 45 percent), with the remaining net revenue, after commissions and operating expenses, allocated 9.1 percent (up to \$1 million per year) to the Board of Crime Control for grants to youth detention centers and 90.9 percent to the school equalization account for support of Montana schools.

Funding

The Montana Lottery program is funded with proprietary revenue derived from a portion of lottery proceeds.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The increase is due to the net of vacancy savings, the pay plan authorized by the 1993 legislature, increased benefits, termination payouts, and early retirement buyouts.
- 3) Fixed costs - Fixed costs increase \$64,003 in fiscal 1996 and decrease \$74,500 in fiscal 1997. The increase in the first year and the decrease in the second year is due primarily to the \$138,676 biennial appropriation requested in fiscal 1996 to pay Legislative Auditor fees. Fiscal 1994 expenditures were \$78,803.
- 4) Vendor Fees - The executive requests \$3,392,500 in fiscal 1996 and \$3,461,500 in fiscal 1997 for vendor fees, a decrease from the \$4,551,221 spent in fiscal 1994. The program pays for on-line services costs, on a per transaction basis, provided by a vendor for the three on-line lottery games. In addition to a decrease in the cost per transaction from \$0.15 to \$0.115, the executive estimates that the number of transactions will decrease from 30.34 million in fiscal 1994 to 29.50 million in fiscal 1996 and 30.10 million in fiscal 1997.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$1,906		\$6,817
2 Inflation/Deflation		3,512		7,164
3 Fixed Costs		64,003		(74,500)
<i>Other Executive Present Law Adjustments</i>				
4 Vendor Fees		(\$1,158,721)		(\$1,089,721)
5 Equipment		11,168		41,768
6 Other		(1,115)		(717)
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>(\$1,079,247)</u>	<u>0.00</u>	<u>(\$1,109,189)</u>
<i>LFA Issues With Executive PL Adjustments</i>				
4 Vendor Fees				

In fiscal 1994, the program received statutory authority from the Office of Budget and Program Planning totaling \$1,519,720 to pay additional vendor fees and dues. Since the appropriation does not appear to be authorized by statute, expenditures from this appropriation should not be included in the base. For a discussion of this issue, see the "Other LFA Issues" section below.

5) Equipment - The executive requests \$14,250 in fiscal 1996 and \$44,850 in fiscal 1997 to replace equipment. Requested purchases include 1 vehicle in fiscal 1996 and 3 vehicles in fiscal 1997. Department staff state that vehicles are driven approximately 130,000 miles before replacement.

6) Other - Miscellaneous adjustments to present law include reductions in indirect support for the Director/Management Services Division.

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Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Tri-West Lotto			\$120,000			\$120,000
2 Personal Services Reductions			(6,702)			(6,996)
Totals			\$113,298			\$113,004

Executive New Proposals

1) Tri-West Lotto - The executive requests an additional \$120,000 proprietary funds each fiscal year to pay dues associated with the Tri-West Lotto game. The Montana Lottery Commission initiated this new game in fiscal 1994 and paid associated costs with a statutory appropriation not allowed by statute (for further discussion of this issue, see "Other LFA Issues"). The states of Montana, South Dakota, and Idaho jointly operate the game and pay dues to the Multi-state Lottery Association to administer the game. Montana's portion is \$120,000 per year.

In present law, the executive requests \$112,811 in dues. Since \$60,019 of this amount reflects dues paid for Tri-West Lotto in fiscal 1994, a portion of the \$120,000 request is already budgeted in present law. See the "Other LFA Issues" section for related issues on this item.

2) Personal Services Reductions - The executive applies a 0.58 percent vacancy savings rate to reduce personal services by \$6,702 proprietary funds in fiscal 1996 and \$6,996 in fiscal 1997. In present law, the executive requests \$4,685 each fiscal year to fund overtime.

Other LFA Issues

Statutory Appropriation for Administrative Expenses - In fiscal 1994, the program received statutory authority from the Office of Budget and Program Planning totaling \$1,519,720 to pay additional vendor fees and dues. The department stated that increased spending authority was required to pay additional operating expenses incurred because of: 1) higher ticket sales than anticipated in the Montana Cash and Powerball games; 2) the creation of the Tri-West Lotto game by the Montana Lottery Commission subsequent to the 1993 legislature; and 3) dues associated with the new Tri-West Lotto game. The additional spending authority was granted by the Office of Budget and Program Planning based on section 23-7-402(4), MCA. However, this increase in authority may not be in compliance with statute.

Based on an opinion of Mr. Greg Petesch, Code Commissioner of the State of Montana, the only statutory appropriation authority granted by the legislature for the Montana Lottery is for: 1) prize money; 2) net revenue to the superintendent of public instruction; 3) net revenue to the Board of Crime Control; and 4) commissions to sales agents. He further states:

"The administrative expenses of the lottery are not statutorily appropriated. Pursuant to sections 17-8-101(1) and 17-7-501, MCA, the administrative expenses must be appropriated by a temporary appropriation or a valid budget amendment".

If additional authority for administrative expenses is required, the department may request additional authority from the legislature in either the general appropriations act, the budget amendment bill or the supplemental bill, or through the budget amendment process.

Executive Budget Effect - As a result of expenditures from this statutory appropriation, the fiscal 1994 base is overstated by \$1,079,814 (the amount of the appropriation spent). To reflect proper fiscal 1994 expenditures for consideration in the general appropriations act, the base should be reduced by this amount. Of the total expenditures, \$1,019,663 was spent for on-line vendor fees. Based on per transaction costs of \$0.15, 6,797,753 transactions were paid by the statutory appropriation. If the number of transactions estimated by the executive for the 1997 biennium were reduced by the number paid by the appropriation (and the reduced \$0.115 cost for each transaction applied) the corrected present law would be adjusted by \$781,742 each fiscal year. Rather than a decrease of \$1,079,247 in fiscal 1996 and \$1,109,189 in fiscal 1997, the executive present law is a decrease of \$237,354 in fiscal 1996 and \$267,296 in fiscal 1997.

Legislative Options - The Montana Lottery Commission has initiated a new Tri-West Lotto game and the executive requests increased authority as a present law adjustment and in a new proposal. All requests for increased authority for this new service should be reflected in a new proposal.

If the legislature wishes to approve funding for this new service, it might consider the following:

- 1) Reduce the executive present law by \$781,742 proprietary funds each fiscal year to reflect the correct present law for vendor fees.
- 2) Reduce the executive present law by \$60,019 each fiscal year to the correct present law for dues.
- 3) Increase the executive new proposal by \$781,742 proprietary funds each fiscal year to reflect the required authority for vendor fees.

If the legislature wishes to approve funding for the same level of service funded in fiscal 1994, it might consider the following:

- 1) Reduce the executive present law by \$781,742 proprietary funds each fiscal year to reflect the correct present law for vendor fees.
- 2) Reduce the executive present law by \$60,019 each fiscal year to the correct present law level for dues.
- 3) Do not approve the new proposal for Tri-West Lotto dues.

Maximization of Net Revenue - Section 23-7-202(3), MCA, requires the Montana Lottery Commission to maximize net revenue paid to the Superintendent of Public Instruction and to the Board of Crime Control, and to ensure that all policies and rules further that maximization. To comply with statute, any change in policy that increases costs or any request to increase expenditures must not only increase net revenue, but must maximize that revenue. The commission must demonstrate that any such measure provides the best possible positive net return over all other uses of the money. Three instances have occurred where the commission has increased spending or plans to increase spending, but for which no cost/benefit analyses were provided.

Sales Staff Incentive Plan - On June 27, 1994, the Montana Lottery Commission amended its rules and revised its sales staff incentive plan to increase the amount of sales commissions staff may earn. The plan offers more opportunity for staff to earn sales commissions based on a greater number of levels of increased sales and higher percentages of an employee's base salary as the award. The commission estimates that the revised plan will increase potential liability to \$77,662. Under the previous plan, \$13,001 of commissions were paid in fiscal 1994. Although lottery staff state that the revised plan will encourage greater productivity and maximize sales where potential is greatest, they could not provide an analysis of the plan's impact on net revenue.

Statutory Appropriation for Administrative Expenses - As stated above, the program spent \$1,079,814 of lottery proceeds from a statutory appropriation not authorized by statute. The documentation supplied to the Office of Budget and Programming Planning that requested the appropriation did not provide a cost/benefit analysis of the planned expenditures or the impact on net revenue.

New Proposal for the Tri-West Lotto - The executive requests an increase of \$120,000 each fiscal year in dues for the Tri-West Lotto game initiated by the commission in fiscal 1994 (see the "Executive New Proposal" section). The department's justification for the new proposal does not provide cost/benefit analysis of the proposed expenditures or the impact on net revenue.

Lottery Statistics - The Montana State Lottery was established in November 1986 when a referendum vote of the people of Montana approved a law passed by the 1985 legislature. Table 6 shows revenues and disbursements over that time, and provides various sales and total cost ratios. Since fiscal 1989, profit (distributed to the Superintendent of Public Instruction and the Board of Crime Control) has increased at an average annual rate of 26.3 percent, to 33.15 percent of total costs in fiscal 1994.

Table 6
Montana State Lottery
Revenues, Disbursement, and Ratios

Activity	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991	Fiscal 1992	Fiscal 1993	Fiscal 1994
Revenue							
Ticket Sales	\$21,787,581	\$11,644,061	\$21,509,785	\$23,931,378	\$27,921,939	\$36,762,830	\$37,482,784
Other	(12,122)	2,687	(1,370)	14,111	(2,109)	5,055	2,500
Interest	0	0	25,825	40,371	95,184	116,432	121,863
Total Revenue	\$21,775,459	\$11,646,748	\$21,534,240	\$23,985,860	\$28,015,014	\$36,884,317	\$37,607,147
Disbursements							
Ticket Costs	\$11,817,630	\$6,600,253	\$14,452,836	\$17,048,799	\$19,381,281	\$25,010,700	\$25,159,428
Prizes	9,807,415	5,300,097	10,189,328	11,658,822	13,551,007	17,742,517	18,148,490
Retail commissions	1,210,074	669,313	1,352,477	1,346,955	1,609,178	2,058,730	2,068,256
Tickets	800,141	630,843	552,884	503,516	479,346	418,984	381,971
On-line vendor fees	0	0	2,358,147	3,539,506	3,741,750	4,790,469	4,560,711
Administrative Costs	2,474,987	2,132,397	2,912,510	2,738,751	3,048,872	2,991,499	3,083,974
Personal Services	977,415	905,375	919,490	966,940	1,114,772	1,186,383	1,155,612
Advertising	573,503	331,536	779,968	622,030	669,472	695,633	662,623
Contracted Services	186,586	272,668	364,667	368,274	527,062	406,248	537,064
Other	737,483	622,818	848,385	781,507	737,566	703,235	728,675
Profit	7,482,842	2,914,098	4,168,894	4,198,310	5,584,861	8,882,118	9,363,745
SEA	8,375,894	2,774,692	4,168,858	4,200,337	5,493,509	8,073,845	8,511,644
Retained Earnings	(893,052)	139,406	36	(2,027)	2,027		
Board of Crime Control	0	0	0	0	89,325	808,273	852,101
Total Disbursements	\$21,775,459	\$11,646,748	\$21,534,240	\$23,985,860	\$28,015,014	\$36,884,317	\$37,607,147
Sales Ratios							
Total costs/sales	0.6560	0.7500	0.8073	0.8268	0.8033	0.7617	0.7535
Administrative costs/sales	0.1136	0.1831	0.1354	0.1144	0.1092	0.0814	0.0823
Prizes/sales	0.4501	0.4552	0.4737	0.4872	0.4853	0.4826	0.4842
Commissions/sales	0.0555	0.0575	0.0629	0.0563	0.0576	0.0560	0.0552
Profit/sales	0.3434	0.2503	0.1938	0.1754	0.2000	0.2416	0.2498
Total Cost Ratios							
Profit/total costs	0.5235	0.3337	0.2401	0.2122	0.2490	0.3172	0.3315
Sales/total costs	1.5244	1.3334	1.2387	1.2094	1.2448	1.3129	1.3271

650178 00000 DEPARTMENT OF COMMERCE		BOARD OF HORSE RACING						
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	3.78	0.00	0.00	3.78	0.00	0.00	3.78	3.78
Personal Services	104,978	24,580	0	129,558	28,543	0	133,521	263,079
Operating Expenses	116,169	19,833	0	136,002	20,768	0	136,937	272,939
Equipment	5,644	(5,644)	0	0	(5,644)	0	0	0
Total Costs	\$226,791	\$38,769	\$0	\$265,560	\$43,667	\$0	\$270,458	\$536,018
Fund Sources								
State/Other Special	226,791	38,769	0	265,560	43,667	0	270,458	536,018
Total Funds	\$226,791	\$38,769	\$0	\$265,560	\$43,667	\$0	\$270,458	\$536,018

Program Description

The Board of Horse Racing program is responsible for: 1) regulating the live and simulcast horse racing industry; 2) ensuring compliance by the approximately 3,500 licensees with state laws and board rules; 3) licensing all racing personnel, establishing race dates for various communities, establishing veterinary practices and standards in connection with horse racing meets; and 4) the auditing, supervision, and investigations related to the parimutuel racing system in Montana.

Funding

The Board of Horse Racing program is funded with state special revenue derived from a one percent tax on gross betting receipts from parimutuel betting. For simulcast facilities, the tax is the greater of one percent on gross betting receipts or the actual cost to the board of regulating the meet.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The increase is primarily due to significant vacancy savings in fiscal 1994.
- 4) Other Personal Services - The executive requests an additional \$9,895 each fiscal year in personal services funding for: a) salary increases for two staff and racing stewards totaling \$6,445; and b) per diem of \$3,450 each fiscal year. In fiscal 1994, board members met quarterly rather than monthly.
- 5) Contracted Services - The executive requests \$67,000 in fiscal 1996 and \$68,000 in fiscal 1995 for contracted services. Increased funding is requested based on an increase in the number of race days to 80. Contracts include contracts with veterinarians, security, auditors, simulcasting, and deputy state stewards. Of the increase, \$12,000 is due to contracts with deputy state stewards.
- 6) Indirect Costs - The executive requests \$23,434 in fiscal 1996 and \$23,740 in fiscal 1997 for indirect support, an increase over the \$19,396 spent in fiscal 1994. Increased indirect costs are paid to support: a) the Director/Management Services Division - \$1,838 in fiscal 1996 and \$2,144 in fiscal 1997; and b) the Professional and Occupational Licensing Bureau for legal and computer work - \$2,200 each fiscal year.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$14,685		\$18,648
2 Inflation/Deflation		101		170
3 Fixed Costs		1,074		634
<i>Other Executive Present Law Adjustments</i>				
4 Other Personal Services		\$9,895		\$9,895
5 Contracted Services		15,102		16,102
6 Indirect Costs		4,038		4,344
7 Equipment		(5,644)		(5,644)
8 Other		(482)		(482)
<i>Total Executive Present Law Adjustments</i>	0.00	\$38,769	0.00	\$43,667

7) Equipment - The executive requests no equipment purchases.

8) Other - Miscellaneous changes to present law include decreases in maintenance costs.

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DEPARTMENT OF COMMERCE				DIRECTOR/MANAGEMENT SERVICES				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	22.59	(1.00)	0.00	21.59	(1.00)	0.00	21.59	21.59
Personal Services	774,056	1,368	(4,134)	771,290	5,268	(4,315)	775,009	1,546,299
Operating Expenses	127,528	23,519	150,000	301,047	22,065	0	149,593	450,640
Equipment	2,774	(1,074)	296,409	298,109	(1,774)	43,200	44,200	342,309
Debt Service	329	(329)	0	0	(329)	0	0	0
Total Costs	\$904,687	\$23,484	\$442,275	\$1,370,446	\$25,230	\$38,885	\$968,802	\$2,339,248
Fund Sources								
General Fund	100,431	4,551	0	104,982	4,816	0	105,247	210,229
Proprietary	804,256	18,933	442,275	1,265,464	20,414	38,885	863,555	2,129,019
Total Funds	\$904,687	\$23,484	\$442,275	\$1,370,446	\$25,230	\$38,885	\$968,802	\$2,339,248

Program Description

The Director's Office and Management Services Division consists of four programs. The **Director's Office** assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office in the effort to improve and stabilize the economic climate in Montana. The **Management Services Division** provides internal support to all agency programs. Services provided include budgeting, accounting, purchasing, contracting, personnel administration, payroll, training, and the analysis, development, maintenance, and supervision of department data processing systems and hardware. **Legal Services** provide legal counsel to the department director and legal supervision and overview for all other agency attorneys. The **Consumer Affairs** unit provides information and assistance to Montana consumers regarding unfair methods of competition or deceptive acts in the conduct of any trade or commerce.

Funding

General fund provides support for the Consumer Affairs Unit and the County Printing Board, which is administratively attached to the department. The remainder of the program is funded by indirect costs, based on personal services, assessed to other programs in the department and deposited in a proprietary account.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The small increase is primarily due to the net of vacancy savings, the pay plan authorized by the 1993 legislature, termination and early retirement costs, and the elimination of a position. Although the November 1993 Special Session eliminated a 1.00 FTE administrator position, expenditures were still incurred in fiscal 1994 which lessens the increase in the 1997 biennium.

4) General Fund Operating - The executive requests an additional \$2,553 in fiscal 1996 and \$2,388 in fiscal 1997 in general fund operating expenses, primarily for training of the Consumer Protection staff, office supplies, and postage.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(1.00)	\$1,368	(1.00)	\$5,268
2 Inflation/Deflation		(431)		(165)
3 Fixed Costs		5,169		5,622
<i>Other Executive Present Law Adjustments</i>				
4 General Fund Operating		\$2,553		\$2,388
5 Management Services		12,522		9,623
6 Director's Office		2,819		2,819
7 Other		(516)		(325)
<i>Total Executive Present Law Adjustments</i>	<i>(1.00)</i>	<i>\$23,484</i>	<i>(1.00)</i>	<i>\$25,230</i>

5) Management Services - The executive requests an additional \$12,522 in fiscal 1996 and \$9,623 in fiscal 1997 in the Management Services Division. The request consists of: a) contracted services for employee reclassification and temporary secretarial assistance - \$4,501 in each fiscal year; b) office supplies, including computer software - \$2,699 in fiscal 1996 and \$500 in fiscal 1997; c) a maintenance contract for 16 computers coming off manufacturer's warranty - \$3,622 in each fiscal year; and d) a facsimile machine and desks - \$1,700 in fiscal 1996 and \$1,000 in fiscal 1997.

6) Director's Office - The executive requests an additional \$2,819 each fiscal year in the Director's Office for legal books and statutes, travel, and a maintenance contract for 8 computers coming off manufacturer's warranty.

7) Other - Miscellaneous changes to present law are immaterial.

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Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Oracle Database Programming	0.00	\$0	\$150,000	0.00	\$0	\$0
2 Management Services Equipment	0.00	0	3,600	0.00	0	0
3 Equipment Conversion To LANS	0.00	0	292,809	0.00	0	43,200
4 Personal Services Reductions	0.00	0	(4,134)	0.00	0	(4,315)
Totals	0.00	\$0	\$442,275	0.00	\$0	\$38,885

Executive New Proposals

1) Oracle Database Programming - The executive requests an additional \$150,000 proprietary funds in fiscal 1996 for conversion of the current database to Oracle. The Oracle database was recently selected as the state standard by Information Services Division (ISD) and the Information Technology Advisory Council. The department estimates

that 2,000 hours of programming time will be necessary for the conversion, at rates between \$43.87 and \$64.78 per hour.

2) Management Services Equipment - The executive requests \$3,600 proprietary funds to purchase a new laser printer in fiscal 1996.

3) Equipment Conversion to LAN - The 1993 legislature appropriated \$100,000 for the 1995 biennium to expand the department's computer capacity and to begin implementing a conversion of the aging AT&T computer system to a Local Area Network (LAN), the ISD's recommended standard. The executive requests an additional \$292,809 proprietary funds in fiscal 1996 and \$43,200 in fiscal 1997 to complete the conversion. The funds would be used to purchase equipment to link four outside offices with the main Department of Commerce building and for additional workstations and wiring.

4) Personal Services Reductions - The executive applies a 0.53 percent vacancy savings rate to reduce personal services by \$4,134 proprietary funds in fiscal 1996 and \$4,315 in fiscal 1997.

Other LFA Issues - Two of the new proposals (numbers 1 and 3 above) are funded with proprietary funds derived from other departmental programs. Consequently, affected funding sources and amounts within these programs are not reflected. Table 7 shows the actual funding sources for these two new proposals. The legislature may wish to consider the actual funding impact in its deliberations on the two new proposals and in appropriating funds.

Table 7
Director/Management Services
Proprietary Funded New Proposals

New Proposal/Funding	Executive Funding		Funding Impact	
	Fiscal 1996	Fiscal 1997	Fiscal 1996	Fiscal 1997
Oracle Database Programming				
General fund	\$0	\$0	\$33,990	\$0
State special revenue	0	0	52,116	0
Federal	0	0	856	0
Proprietary	150,000	0	63,038	0
Total	\$150,000	\$0	\$150,000	\$0
Equipment Conversion to LAN				
General fund	\$0	\$0	\$17,215	\$0
State special revenue	0	0	149,505	14,400
Federal	0	0	5,478	0
Proprietary	292,809	43,200	120,611	28,800
Total	\$292,809	\$43,200	\$292,809	\$43,200

INSTITUTIONS AND PUBLIC SAFETY



JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

Judiciary
Board of Crime Control
Highway Traffic Safety
Justice
Montana Arts Council

State Library Commission
Montana Historical Society
Corrections and Human Services
Military Affairs

-----Committee Members-----

House

Representative Marjorie Fisher (Chair)

Representative William "Red" Menahan

Representative Steve Vick

Senate

Senator Larry Tveit (Vice-Chair)

Senator Gary Aklestad

Senator Mignon Waterman

-----Fiscal Analyst Staff-----

Lisa Smith
Lorene Thorson
Terri Perrigo

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JUDICIARY								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	91.25	0.00	91.25	91.25	0.00	91.25	95.00	91.25
Personal Services	5,016,775	(80,072)	4,936,703	5,022,809	(80,394)	4,942,415	9,862,620	9,879,118
Operating Expenses	1,030,967	145,000	1,175,967	1,021,133	145,000	1,166,133	1,806,656	2,342,100
Equipment	291,420	0	291,420	269,420	0	269,420	535,253	560,840
Grants	0	0	0	0	0	0	66,642	0
Transfers	0	0	0	0	0	0	75,000	0
Total Costs	\$6,339,162	\$64,928	\$6,404,090	\$6,313,362	\$64,606	\$6,377,968	\$12,346,171	\$12,782,058
Fund Sources								
General Fund	5,807,984	(23,736)	5,784,248	5,777,499	(23,985)	5,753,514	11,205,838	11,537,762
State/Other Special	531,178	(21,336)	509,842	535,863	(21,409)	514,454	1,065,333	1,024,296
Federal Special	0	110,000	110,000	0	110,000	110,000	75,000	220,000
Total Funds	\$6,339,162	\$64,928	\$6,404,090	\$6,313,362	\$64,606	\$6,377,968	\$12,346,171	\$12,782,058

Agency Description

The judicial branch of state government is provided for in Article III, Section I, and Article VII of the 1972 Montana Constitution. The jurisdiction of the Supreme Court consists of all appellate and original jurisdiction in petitions for writs of habeas corpus and other such writs, general supervisory control over all courts, and rule making powers for Montana courts. The court also supervises the reimbursement to district courts of certain costs of criminal cases and administers the local citizen review board pilot program for foster care placements.

Judiciary Budget Request

Statute requires that the Judicial Branch budget be included in the budget submitted by the Governor (section 17-7-122, MCA), but expenditures above current level funding need not be part of the (executive) balanced financial plan. Consequently, the Executive Budget shows the Judicial Branch budget request, but has recommended and funded a budget 12.0 FTE and approximately \$1.1 million per year less than requested by the branch.

The following table shows major components of the Judiciary budget request that are not included in the Executive Budget for the Judiciary.

Table 1 Major Components of Judicial Branch Budget Request NOT Included in Executive Budget				
Name of Request Component	Program	FTE	Fiscal 1996	Fiscal 1997
1) Continuation of Court Automation	01	10.0	\$1,000,000	\$1,000,000
2) Personnel and Training Officer	01	1.0	45,000	45,000
3) Scanning Equipment	02	0.0	15,000	0
4) Books, Inflation, and Code Exchange	03	0.0	40,637	40,637
5) Additional FTE	06	1.0	21,000	21,000
6) Database System	06	0.0	8,000	1,000
TOTAL		12.0	\$1,129,637	\$1,107,637

Some of the request components not included have been re-submitted to the legislature as Elected Official New Proposals, which are discussed in the following narratives.

Other request components not included by the executive are also discussed in the narratives that follow.

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JUDICIARY								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	89.25	2.00	0.00	91.25	2.00	0.00	91.25	91.25
Personal Services	4,796,465	220,310	(80,072)	4,936,703	226,344	(80,394)	4,942,415	9,879,118
Operating Expenses	824,295	206,672	145,000	1,175,967	196,838	145,000	1,166,133	2,342,100
Equipment	271,857	19,563	0	291,420	(2,437)	0	269,420	560,840
Total Costs	\$5,892,617	\$446,545	\$64,928	\$6,404,090	\$420,745	\$64,606	\$6,377,968	\$12,782,058
Fund Sources								
General Fund	5,351,461	456,523	(23,736)	5,784,248	426,038	(23,985)	5,753,514	11,537,762
State/Other Special	541,156	(9,978)	(21,336)	509,842	(5,293)	(21,409)	514,454	1,024,296
Federal Special	0	0	110,000	110,000	0	110,000	110,000	220,000
Total Funds	\$5,892,617	\$446,545	\$64,928	\$6,404,090	\$420,745	\$64,606	\$6,377,968	\$12,782,058

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

2110 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Foster Care Study		\$35,000	\$145,000		\$35,000	\$145,000
2 Personal Services Reductions		(36,080)	(36,080)		(36,251)	(36,251)
3 Personal Services Reductions		(3,658)	(3,658)		(3,671)	(3,671)
4 Personal Services Reductions		(10,928)	(10,928)		(10,964)	(10,964)
5 Personal Services Reductions			(21,336)			(21,409)
6 Personal Services Reductions		(5,287)	(5,287)		(5,316)	(5,316)
7 Personal Services Reductions		(2,783)	(2,783)		(2,783)	(2,783)
Totals		(\$23,736)	\$64,928		(\$23,985)	\$64,606

2110 01 00000								
JUDICIARY								
Program Summary								
	SUPREME COURT OPERATIONS							
	Base	PL Base	New	Total	PL Base	New	Total	Total
Budget Item	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	28.75	2.00	0.00	30.75	2.00	0.00	30.75	30.75
Personal Services	1,188,348	151,872	(36,080)	1,304,140	154,868	(36,251)	1,306,965	2,611,105
Operating Expenses	386,688	112,059	145,000	643,747	99,716	145,000	631,404	1,275,151
Equipment	12,020	36,080	0	48,100	14,080	0	26,100	74,200
Total Costs	\$1,587,056	\$300,011	\$108,920	\$1,995,987	\$268,664	\$108,749	\$1,964,469	\$3,960,456
Fund Sources								
General Fund	1,587,056	300,011	(1,080)	1,885,987	268,664	(1,251)	1,854,469	3,740,456
Federal Special	0	0	110,000	110,000	0	110,000	110,000	220,000
Total Funds	\$1,587,056	\$300,011	\$108,920	\$1,995,987	\$268,664	\$108,749	\$1,964,469	\$3,960,456

Program Description

The Supreme Court has appellate jurisdiction for the State of Montana. It has original jurisdiction to issue, hear, and determine writs of habeas corpus and other such writs as may be provided by law. It also has general supervisory control over all other courts in the state. The Supreme Court is also charged with establishing rules governing appellate procedure, the practice and procedure for all other courts, admission to the bar, and the conduct of its members. The Supreme Court consists of a chief justice and six justices. The Supreme Court Operations program manages day-to-day operations of the court.

Funding

The Supreme Court Operations program is funded with general fund and federal funds. General fund supports operations and is used as match for the federal funds, which support a foster care study.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The Supreme Court Operations program present law budget increases over the fiscal 1994 base by 18.9 percent in fiscal 1996 and 16.9 percent in fiscal 1997 primarily because of the personal services and fixed cost adjustments discussed below.

1) Personal Services - The executive adds \$151,872 in fiscal 1996 and \$154,868 in fiscal 1997 primarily due to the addition of 2.0 FTE, which adds approximately \$80,000 per year. Most of the remaining increase is due to continuation of the fiscal 1995 pay increase and the increased cost of benefits, which are partially offset by non-continuation of fiscal 1994 early retirement costs.

The executive adds 2.0 FTE that were authorized through HB 278 in the 1995 biennium. HB 278 allowed the Judiciary to use district court criminal reimbursement funds remaining from fiscal 1992 for Supreme Court automation activities. Because these funds were statutorily appropriated, the legislature eliminated 2.0 FTE and an equal amount of general fund from the agency budget. The executive reinstates the 2.0 FTE through this present law adjustment.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	2.00	\$151,872	2.00	\$154,868
2 Inflation/Deflation		273		1,334
3 Fixed Costs		82,698		69,581
<i>Other Executive Present Law Adjustments</i>				
4 Consultant Services		\$24,000		\$24,000
5 Equipment		36,080		14,080
6 Miscellaneous		5,088		4,801
<i>Total Executive Present Law Adjustments</i>	<i>2.00</i>	<i>\$300,011</i>	<i>2.00</i>	<i>\$268,664</i>

4) Consultant Services - The executive adds approximately \$24,000 per year for consultant services associated with court automation activities. For more information on court automation, see the discussion in the following "Elected Officials New Proposals" section.

5) Equipment - The executive adds \$36,080 in fiscal 1996 and \$14,080 in fiscal 1997. Most of the increase is due to the addition of \$18,000 per year for continuation of the judicial automation efforts. The remaining increase in fiscal 1996 is for replacement of a vehicle.

6) Miscellaneous - Other miscellaneous adjustments add \$5,088 in fiscal 1996 and \$4,801 in fiscal 1997.

2110 01 00000

Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Foster Care Study		\$35,000	\$145,000		\$35,000	\$145,000
2 Personal Services Reductions		(36,080)	(36,080)		(36,251)	(36,251)
Totals		(\$1,080)	\$108,920		(\$1,251)	\$108,749

Executive New Proposals

1) Foster Care Study - This new proposal would add \$145,000 per year to: a) perform a comprehensive statewide foster care and adoption study; and b) implement recommendations arising out of the study in order to improve foster care and adoptions in Montana. The agency requested additional FTE, but none are included in the executive new proposal.

In December 1994, the agency submitted a grant proposal for federal funds. The federal government requires that the highest court in each state perform the study and implement the recommendations arising out of that study. The

government requires that the court collaborate with all interested parties to review and make viable recommendations for improvement.

If selected as a grant recipient for this five-year grant, the Supreme Court would be the lead agency in the comprehensive study effort, and would receive an initial \$75,000 of federal funds in fiscal 1995 to begin the project. The Judiciary could expend the initial funds using the \$75,000 per year federal spending authority added to the budget in the November 1993 Special Session.

The federal grant requires a 25 percent state match. The new proposal includes \$35,000 of general fund each year in the 1997 biennium to match \$110,000 per year of federal funds. The initial \$75,000, which would be disbursed in fiscal 1995, would not require any state match.

LFA Issues - There are three issues with the proposal.

- a) Because the agency does not know if it will be selected for these federal funds, the legislature may wish to make the appropriation contingent upon receipt of federal funding.
- b) Because this is a five-year grant, approval of this new proposal, as presented in the Executive Budget, makes a future commitment for general fund support. The legislature may wish to consider other sources of funding for state match in this and/or future biennia.
- c) According to Supreme Court staff, the federal grant funds would be disbursed on a calendar year basis. Therefore, the fiscal 1996 new proposal amount could be reduced by 50 percent, as the amount in the new proposal assumes the federal funds would be disbursed on a state fiscal year basis. Since federal funds would not be disbursed until January 1996, but they and the required state matching funds are budgeted beginning July 1, 1995, the legislature may wish to reduce the fiscal 1996 foster care budget by \$17,500 general fund and \$55,000 federal funds to reflect the six-month lag in receipt of federal funds.

2) Personal Services Reduction - The executive proposes to implement a 2.6 percent vacancy savings rate in this program, resulting in general fund savings of \$36,080 in fiscal 1996 and \$36,251 in fiscal 1997. Vacancy savings was not applied to the salaries of the seven Supreme Court Justices, as those salary levels are established in statute and cannot be reduced. From fiscal 1992 through fiscal 1994, the Supreme Court Operations program experienced an average annual vacancy savings rate of 0.85 percent.

Elected Officials New Proposals

1) Personnel and Training Officer - The Chief Justice of the Supreme Court requests that the legislature add 1.0 FTE and general fund of approximately \$45,000 per year to hire a Personnel/Federal Coordinator/Training Officer for the Judicial Branch. This FTE is requested to allow the Judiciary to: a) address federally mandated legislation such as the Family Leave Act, the Americans with Disabilities Act, the Court Improvement Funding Act, and the Crime Bill; and b) comply with a recommendation of the 1995 biennium Judicial Unification and Funding Commission to increase planning, communication, and training amongst the different members of the branch.

2) Continued Court Automation - The Chief Justice of the Supreme Court is also requesting that the legislature add 10.0 FTE and general fund of \$1 million per year to continue the court automation activities that have been in progress since fiscal 1988. This request is in addition to 2.0 FTE and \$122,890 per year already included in the present law budget for court automation.

From fiscal 1988 through fiscal 1994, the Judiciary spent a total of \$1,179,218 general fund on court automation activities, including development of statewide applications and provision of basic automation in a portion of the 182 courts across the state. The funds expended have come from various sources, including discontinued Department of

Community Affairs funds, unspent district court reimbursement funds, etc. The automation efforts have always been funded through separate legislation.

Funds expended for court automation have been used for: a) evaluation of court technology nationwide; b) installation and assistance in purchasing computers for 15 district court clerks' offices; c) development of the Montana Judicial Case Management System and the Limited Judicial Case Management System; and d) provision of technical assistance and staff support to approximately 300 judicial branch users statewide.

The additional 10.0 FTE and \$1 million per year would allow the judicial branch to embark on an accelerated initial automation schedule and begin replacing previously purchased automation equipment.

LFA Issue - The Judicial Unification & Finance Commission has recommended that legislation be introduced in the 1995 legislature allowing filing fees to be charged to support court automation activities. As explained by Judicial Branch staff, the legislation would: a) authorize a \$5 filing fee on all court filings to be collected beginning July 1, 1995; b) direct that filing fees be deposited in the general fund; and c) provide a statutory appropriation for the Judiciary to expend the filing fee revenues on court information technology activities. It is projected that the filing fees would generate revenue of approximately \$900,000 per year.

The Judiciary is requesting this new proposal as a contingency in case the proposed legislation is not approved. The legislature may wish to coordinate its action on the new proposal with action on the legislation. If the legislature approved the elected officials new proposal, and the separate legislation authorizing court filing fees was also approved without the coordination, the Judiciary would have approximately \$1.9 million per year to spend on court automation activities in the 1997 biennium: \$1 million from the new proposal, and \$900,000 from the statutory appropriation of fee revenue.

In regard to the separate legislation, the legislature may wish to consider the following. As requested, the legislation would have the filing fees deposited in the general fund and provide a statutory appropriation for the Judiciary to expend general fund up to the amount of fee collections. At the request of the Legislative Finance Committee (LFC), as a result of its review of statutory appropriations as required in SB 378, legislation will be introduced that would call for a review of proposed statutory appropriations to determine if they: a) are funded with a regular and reliable source of revenue; and b) support state government administrative costs. If so, the appropriation should be made by the legislature. (The proposed legislation also eliminates several current statutory appropriations that meet this criteria.)

Since the statutory appropriation proposed in the legislation meets these criteria, the legislature may wish to appropriate filing fees, if approved, each biennium in the general appropriations act, rather than through a statutory appropriation. In addition to staying within the parameters proposed for statute by the LFC, this action would allow the legislature more oversight in the budgeting and expenditure of the filing fee revenue.

3) Law Clerk Pay Parity - The Chief Justice of the Supreme Court requests that the legislature add general fund of \$86,102 per year to increase the salaries for 14 law clerks assigned to Supreme Court justices by approximately \$6,150 per year in order to continue to attract qualified attorneys for the positions. Currently, law clerks are paid at a grade 14 salary level. A survey recently completed by the Judiciary showed that the average salary paid to an entry level attorney in other state agencies is comparable to a grade 16 salary, which is approximately \$6,150 per year more than current law clerk salaries.

2110 02 00000								
JUDICIARY								
BOARDS AND COMMISSIONS								
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	60,059	13,365	(3,658)	69,766	13,627	(3,671)	70,015	139,781
Operating Expenses	109,594	32,766	0	142,360	32,926	0	142,520	284,880
Equipment	14,905	(14,905)	0	0	(14,905)	0	0	0
Total Costs	\$184,558	\$31,226	(\$3,658)	\$212,126	\$31,648	(\$3,671)	\$212,535	\$424,661
Fund Sources								
General Fund	184,558	31,226	(3,658)	212,126	31,648	(3,671)	212,535	424,661
Total Funds	\$184,558	\$31,226	(\$3,658)	\$212,126	\$31,648	(\$3,671)	\$212,535	\$424,661

Program Description

The Boards and Commissions program oversees functions assigned to the Supreme Court either by legislative or constitutional mandate. The Boards and Commissions program manages judicial discipline, rules, admissions to the bar, and other substantive matters aimed at improving and maintaining the administration of justice. Commissions and boards included in the program are: the Judicial Standards Commission; Sentence Review Division; Commission on Practice; Board of Bar Examiners; and the Judicial Nominations Commission.

Funding

The Boards and Commissions program is funded with general fund. However, a portion of the costs are recovered through deposit of fee revenue from Courts of Limited Jurisdiction (CLJ) training and attorney investigation repayments. In fiscal 1994, \$62,345 was deposited in the general fund from these fees, and the agency anticipates that the 1997 biennium deposits will be similar.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The Boards and Commissions program present law budget increases over base by 16.9 percent in fiscal 1996 and 17.1 percent in fiscal 1997 primarily because of personal services increases, preparation of the judges benchbook/deskbook, and attorney investigations adjustments discussed below.

- 1) Personal Services - The executive adds \$13,365 in fiscal 1996 and \$13,627 in fiscal 1997 due mainly to vacancy savings experienced in fiscal 1994.
- 4) Attorney Investigations - The executive adds \$21,000 per year for contracted investigation services because of the increase in the number of complaints being filed against attorneys.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$13,365		\$13,627
2 Inflation/Deflation		1,092		1,841
3 Fixed Costs				
<i>Other Executive Present Law Adjustments</i>				
4 Attorney Investigations		\$21,000		\$21,000
5 Supplies		3,566		3,566
6 Travel		6,534		6,534
7 Equipment		(14,905)		(14,905)
8 Miscellaneous		574		(15)
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$31,226</u>	<u>0.00</u>	<u>\$31,648</u>
<i>LFA Issues With Executive PL Adjustments</i>				
4 Attorney Investigations				

LFA Issue - The Judiciary expended \$10,758 to hire investigators for attorney investigations in fiscal 1994. By increasing fiscal 1994 expenditures for anticipated increases in investigations, the additional funds could be transferred to other programs and/or used for purposes not envisioned by the legislature if the anticipated level of investigations does not materialize. The legislature may wish to consider making the appropriation for attorney investigations a contingency appropriation to be used only for that purpose.

The Supreme Court orders investigated attorneys to pay the costs of their investigation. These collections are deposited in the general fund and amounted to \$22,039 in fiscal 1994.

5) Supplies - The executive adds \$3,566 per year for books and reference materials for CLJ training.

6) Travel - The executive adds \$6,534 per year for increased travel for the Boards and Commissions program, Commission on Practice, and Judicial Standards Commission.

7) Equipment - The executive reduces fiscal 1994 equipment expenditures by \$14,905 per year, leaving no equipment budget in this program. The judicial branch budget request includes \$15,000 per year to purchase commercial scanning equipment to enable confidential files of the Commission on Practice to be scanned and stored on a computer.

2110 02 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996		Total Funds	Fiscal 1997		Total Funds
	FTE	General Fund		FTE	General Fund	
1 Personal Services Reductions		(\$3,658)	(\$3,658)		(\$3,671)	(\$3,671)
Totals		(\$3,658)	(\$3,658)		(\$3,671)	(\$3,671)

Executive New Proposals

1) Personal Services Reduction - The executive proposes to implement a 5 percent vacancy savings rate in this program, resulting in a general fund savings of \$3,658 in fiscal 1996 and \$3,671 in fiscal 1997. From fiscal 1992 through fiscal 1994, the program experienced an average annual vacancy savings rate of a negative 0.48 percent.

JUDICIARY

Program Summary

LAW LIBRARY

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	6.50	0.00	0.00	6.50	0.00	0.00	6.50	6.50
Personal Services	207,628	11,859	(10,928)	208,559	12,632	(10,964)	209,296	417,855
Operating Expenses	80,636	6,257	0	86,893	7,138	0	87,774	174,667
Equipment	220,814	11,236	0	232,050	11,236	0	232,050	464,100
Total Costs	\$509,078	\$29,352	(\$10,928)	\$527,502	\$31,006	(\$10,964)	\$529,120	\$1,056,622
Fund Sources								
General Fund	509,078	29,352	(10,928)	527,502	31,006	(10,964)	529,120	1,056,622
Total Funds	\$509,078	\$29,352	(\$10,928)	\$527,502	\$31,006	(\$10,964)	\$529,120	\$1,056,622

Program Description

The State Law Library houses reference materials used by the Supreme Court, lower courts, the legislature, state officers and employees, members of the bar, and the general public. Books and materials contained in the library include treatises, law reviews, reports, microfilm, and audio/video tapes for continuing legal education. The State Law Library is governed by a Board of Trustees which consists of the Supreme Court justices. The board appoints the Law Librarian, who oversees the day-to-day operations of the library.

Funding

The Law Library is funded with general fund. However, a portion of the costs are recovered through fees deposited to the general fund. These fees are charged for copies, faxes, and rental of audio/video cassettes. In fiscal 1994, these fees amounted to \$45,687, which is equal to approximately 9 percent of fiscal 1994 expenditures.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The Law Library present law budget increases over the fiscal 1994 base by 5.8 percent in fiscal 1996 and 6 percent in fiscal 1997 primarily due to the personal services and equipment adjustments discussed below.

- 1) Personal Services - The executive adds \$11,859 in fiscal 1996 and \$12,632 in fiscal 1997 primarily due to vacancy savings experienced in fiscal 1994, increases in benefits and insurance, and continuation of the fiscal 1995 pay plan.
- 4) Copy/Fax Cost - The executive adds \$1,639 in fiscal 1996 and \$2,489 in fiscal 1997 for the increased cost of providing more copies and faxes for library customers. These adjustments bring the total budget for these items to \$13,000 in fiscal 1996 and \$14,000 in fiscal 1997.

The library charges customers a fee for copies and faxes, and deposits this revenue to the general fund. In fiscal 1994, these fees totalled \$27,402.

Present Law Adjustments/Issues

Description	FTE	Adjustments	FTE	Adjustments
	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$11,859		\$12,632
2 Inflation/Deflation		49		80
3 Fixed Costs		(23)		(23)
<i>Other Executive Present Law Adjustments</i>				
4 Copies/Faxes		\$1,639		\$2,489
5 Toll-Free Phone		2,500		2,500
6 Equipment		11,236		11,236
7 Miscellaneous		2,092		2,092
<i>Total Executive Present Law Adjustments</i>	0.00	\$29,352	0.00	\$31,006

5) Toll-Free Phone Number - The executive adds \$2,500 per year to install a 1-800 phone number at the Law Library. Currently, Law Library staff returns all customer calls from outside Helena by calling "collect." The estimated cost of the toll-free number is based on an average of 200 calls per month.

6) Equipment - The executive adds \$11,236 per year for replacement of audio/video cassettes and miscellaneous equipment. Approximately \$9,000 per year is added for audio/video tape replacement. The library rents out the audio/video tapes to customers for a fee, which is deposited to the general fund. In fiscal 1994, audio/video rental fees totalled \$18,285.

The executive equipment budget for the Law Library is approximately \$40,000 per year less than included in the Judicial Branch budget request. Items not included in the Executive Budget, which are included in the branch request, include: a) \$23,468 per year for library book purchases; b) \$9,000 per year for purchase of Montana Code Annotated (MCA) sets to exchange with other states; and c) \$8,169 per year for book inflation.

7) Miscellaneous - Miscellaneous other adjustments add \$2,092 each year of the 1997 biennium.

2110 03 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions		(\$10,928)	(\$10,928)		(\$10,964)	(\$10,964)
Totals		(\$10,928)	(\$10,928)		(\$10,964)	(\$10,964)

Executive New Proposals

1) Personal Services Reduction - The executive proposes to implement a 5 percent vacancy savings rate in this program, resulting in a general fund savings of \$10,928 in fiscal 1996 and \$10,964 in fiscal 1997. From fiscal 1992 through fiscal 1994, the Law Library experienced an average annual vacancy savings rate of a negative 2 percent.

2110 04 00000

JUDICIARY		DISTRICT COURT OPERATIONS						
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	37.00	0.00	0.00	37.00	0.00	0.00	37.00	37.00
Personal Services	2,763,869	36,221	0	2,800,090	36,221	0	2,800,090	5,600,180
Operating Expenses	121,159	44,946	0	166,105	42,688	0	163,847	329,952
Equipment	6,495	(1,095)	0	5,400	(1,095)	0	5,400	10,800
Total Costs	\$2,891,523	\$80,072	\$0	\$2,971,595	\$77,814	\$0	\$2,969,337	\$5,940,932
Fund Sources								
General Fund	2,891,523	80,072	0	2,971,595	77,814	0	2,969,337	5,940,932
Total Funds	\$2,891,523	\$80,072	\$0	\$2,971,595	\$77,814	\$0	\$2,969,337	\$5,940,932

Program Description

The District Court Operations program provides for the salaries, travel, and training expenses for Montana's elected district judges. Other operational costs of the district courts are paid by other state agencies and local governments. District courts are general jurisdiction trial courts having original jurisdiction in all criminal felony cases, civil matters, and cases at law.

Funding

The District Court Operations program is funded with general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The District Court Operations program present law budget increases over base by approximately 2.7 percent each year, primarily because of the personal services and travel adjustments discussed below.

1) Personal Services - The executive adds \$36,221 each year to personal services. While some vacancy savings was experienced in fiscal 1994, most of the increase is due to increased insurance and benefit costs and an additional \$12,794 per year for compensation for retired judges who hear carryover cases for newly elected judges. The District Court judges did not receive the fiscal 1995 pay increase.

4) Travel - The executive adds approximately \$35,000 per year for increased travel costs associated with high turnover in district court judges. There are seven newly elected district court judges in fiscal 1995. Travel costs are increased because: a) the new judges attend a judges training session at the National Judicial College; b) retired judges are called in and must travel throughout the state to hear cases that new judges cannot sit for; and c) current judges travel outside their district to assist in hearing the carryover cases that new judges cannot sit for.

5) Judges Benchbook and Deskbook - The executive adds \$5,000 in fiscal 1996 and \$2,500 in fiscal 1997 to contract for the research, drafting, and final preparation of the judges benchbook and deskbook so that they reflect updates from legislation and case law.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$36,221		\$36,221
2 Inflation/Deflation		1,168		2,041
3 Fixed Costs		(71)		1,798
<i>Other Executive Present Law Adjustments</i>				
4 Travel		\$35,000		\$35,000
5 Judges Benchbook/Deskbook		5,000		2,500
6 Equipment		(1,095)		(1,095)
7 Miscellaneous		3,849		1,349
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$80,072</u>	<u>0.00</u>	<u>\$77,814</u>

6) Equipment - The executive includes funding for replacement computer equipment. The level of expenditure is \$1,095 below fiscal 1994.

7) Miscellaneous - Miscellaneous other adjustments add \$3,849 in fiscal 1996 and \$1,349 in fiscal 1997.

Executive New Proposals

The executive budget does not include a personal services reduction new proposal for this program because district court judges salaries are set in statute and cannot be reduced.

2110 05 00000

JUDICIARY				WATER COURTS SUPERVISION				
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	11.00	0.00	0.00	11.00	0.00	0.00	11.00	11.00
Personal Services	427,790	2,539	(21,336)	408,993	3,857	(21,409)	410,238	819,231
Operating Expenses	100,216	633	0	100,849	4,000	0	104,216	205,065
Equipment	13,150	(13,150)	0	0	(13,150)	0	0	0
Total Costs	\$541,156	(\$9,978)	(\$21,336)	\$509,842	(\$5,293)	(\$21,409)	\$514,454	\$1,024,296
Fund Sources								
State/Other Special	541,156	(9,978)	(21,336)	509,842	(5,293)	(21,409)	514,454	1,024,296
Total Funds	\$541,156	(\$9,978)	(\$21,336)	\$509,842	(\$5,293)	(\$21,409)	\$514,454	\$1,024,296

Program Description

The Water Courts Supervision program adjudicates claims of existing water rights in Montana and supervises the distribution of water among the four water divisions of the state as defined in section 3-7-102, MCA. The program goal is to expedite the adjudication of water rights established prior to 1973, and of existing water rights in all of the state's 85 water basins.

Funding

The Water Courts Supervision program is funded with state special revenue funds from the Renewable Resource Grant and Loan account. The main sources of revenue to that account are Resource Indemnity Trust Tax (RIT) proceeds and interest earnings on the RIT trust.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - Personal services increases are primarily due to continuation of the fiscal 1995 pay plan increase.
- 4) Consultant Services - The executive does not continue fiscal 1994 consultant services expenditures of \$4,000.
- 5) Rent - The executive adds \$3,000 per year for increased rent.
- 6) Equipment - The executive does not continue fiscal 1994 equipment expenditures of \$13,150. As requested by the agency, there is no equipment budget in this program in the 1997 biennium.
- 7) Miscellaneous - Miscellaneous other adjustments add \$372 in fiscal 1996 and \$3,774 in fiscal 1997.

Present Law Adjustments/Issues

Description	FTE	Adjustments	FTE	Adjustments
	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$2,539		\$3,857
2 Inflation/Deflation		257		263
3 Fixed Costs		1,004		963
<i>Other Executive Present Law Adjustments</i>				
4 Consultant Services		(\$4,000)		(\$4,000)
5 Rent Increase		3,000		3,000
6 Equipment		(13,150)		(13,150)
7 Miscellaneous		372		3,774
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>(\$9,978)</u>	<u>0.00</u>	<u>(\$5,293)</u>

Executive New Proposals

1) Personal Services Reduction - The executive proposes to implement vacancy savings of 5 percent per year, resulting in state special revenue savings of \$21,336 in fiscal 1996 and \$21,409 in fiscal 1997. From fiscal 1992 through fiscal 1994, the Water Courts Supervision program experienced an average annual vacancy savings rate of approximately 4 percent.

2110 05 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions			(\$21,336)			(\$21,409)
Totals			(\$21,336)			(\$21,409)

2110 06 00000								
JUDICIARY								
CLERK OF COURT								
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	148,771	4,454	(5,287)	147,938	5,139	(5,316)	148,594	296,532
Operating Expenses	26,002	10,011	0	36,013	10,370	0	36,372	72,385
Equipment	4,473	1,397	0	5,870	1,397	0	5,870	11,740
Total Costs	\$179,246	\$15,862	(\$5,287)	\$189,821	\$16,906	(\$5,316)	\$190,836	\$380,657
Fund Sources								
General Fund	179,246	15,862	(5,287)	189,821	16,906	(5,316)	190,836	380,657
Total Funds	\$179,246	\$15,862	(\$5,287)	\$189,821	\$16,906	(\$5,316)	\$190,836	\$380,657

Program Description

The Clerk of Court program performs several support and operational duties for the Supreme Court. The program keeps the court records and files, issues writs and certificates, approves bonds as required, files all papers and transcripts, and performs such other duties as required by law and the rules and practice of the Supreme Court (Title 3, Chapter 2, Part 4, MCA).

Funding

The Clerk of Court program is funded with general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The Clerk of Court program present law budget increases over fiscal 1994 levels by approximately 8.8 percent in fiscal 1996 and 9.4 percent in fiscal 1997.

- 1) Personal Services - The executive adds funds for continuation of the fiscal 1995 pay increase and increased insurance and benefit costs, which are partially offset by non-continuation of fiscal 1994 early retirement costs.
- 4) Other Services - The executive adds \$3,124 per year to continue fiscal 1994 printing expenditures.
- 5) Postage - The executive adds \$3,260 per year for an increased volume of mail associated with increased workload.
- 6) Rent - The executive adds \$1,375 per year to allow the Clerk of Court to have all Supreme Court files from fiscal 1988 through fiscal 1994 transferred to and stored by Records Management.
- 7) Equipment - The executive adds \$1,397 per year to equal the program request for replacement furniture and shelving.
- 8) Miscellaneous - Miscellaneous other adjustments add \$1,065 per year.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$4,454		\$5,139
2 Inflation/Deflation		937		1,296
3 Fixed Costs		250		250
<i>Other Executive Present Law Adjustments</i>				
4 Other Services		\$3,124		\$3,124
5 Postage		3,260		3,260
6 Rent		1,375		1,375
7 Equipment		1,397		1,397
8 Miscellaneous		1,065		1,065
<i>Total Executive Present Law Adjustments</i>	0.00	\$15,862	0.00	\$16,906

Executive New Proposals

1) Personal Services Reduction - The executive proposes to implement vacancy savings of 3.4 percent per year, resulting in general fund savings of \$5,287 in fiscal 1996 and \$5,316 in fiscal 1997. No vacancy savings was applied to the salary of the elected Clerk of Court, as that salary is set in statute and cannot be reduced. From fiscal 1992 through fiscal 1994, the Clerk of Court experienced average annual vacancy savings of 0.56 percent per year.

2110 06 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions		(\$5,287)	(\$5,287)		(\$5,316)	(\$5,316)
Totals		(\$5,287)	(\$5,287)		(\$5,316)	(\$5,316)

Elected Officials New Proposals

1) Additional FTE - The Clerk of Court requests that 1.0 FTE and general fund of approximately \$21,000 per year be added in response to: a) an increase in the number of court case filings; b) an increase in the number of attorneys to license; and c) the requirement for preparation of an annual statistical report tracking District Court decisions.

2) Case Tracking Database System - The Clerk of Court also requests that the legislature add general fund of \$8,000 in fiscal 1996 and \$1,000 in fiscal 1997 to purchase a database system to: a) eliminate the current hand calculations necessary to compile comprehensive Supreme Court statistics; and b) facilitate preparation of the annual statistical report on District Court decisions discussed above.

LFA Issue - Any funds appropriated for court automation could be used to fund this proposal. Therefore, the legislature may wish to direct that these automation activities be funded out of the \$1 million per year requested by the Chief Justice for court automation activities.

2110 07 00000 JUDICIARY		DISTRICT COURT REIMBURSEMENT							
Program Summary									
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97	
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Personal Services	0	0	(2,783)	(2,783)	0	(2,783)	(2,783)	(5,566)	
Total Costs	\$0	\$0	(\$2,783)	(\$2,783)	\$0	(\$2,783)	(\$2,783)	(\$5,566)	
Fund Sources									
General Fund	0	0	(2,783)	(2,783)	0	(2,783)	(2,783)	(5,566)	
Total Funds	\$0	\$0	(\$2,783)	(\$2,783)	\$0	(\$2,783)	(\$2,783)	(\$5,566)	

Program Description

The District Court Criminal Reimbursement program provides reimbursement to counties for certain costs related to criminal cases (section 3-5-901, MCA). Counties deduct 7 percent of the 2 percent tax collected on automobiles and trucks (with a rated capacity of three-quarters of a ton or less) to fund district court criminal costs (section 61-3-509(2), MCA). These funds are remitted to the state treasurer and paid back to counties. If funds appropriated for district court criminal expenses exceed such expenses, counties may apply for and be awarded grants for district court expenses (section 7-6-2352, MCA). If the state appropriation is insufficient to cover district court criminal expenses, counties are liable for such expenses. HB 278 enacted during the 1993 session provided for statutory appropriation of these funds beginning in fiscal 1994.

Funding

The District Court Criminal Reimbursement program is supported with general fund from designated general fund revenue derived from a fee equal to 7 percent of the 2 percent state motor vehicle tax.

Executive Present Law

Because the District Court Criminal Reimbursement program is funded through a statutory appropriation, there is no present law budget included in the general appropriations act.

2110 07 00000		Executive Budget New Proposals					
New Proposal	FTE	Fiscal 1996		Fiscal 1997		FTE	
		General Fund	Total Funds	General Fund	Total Funds		
1 Personal Services Reductions		(\$2,783)	(\$2,783)	(\$2,783)	(\$2,783)		
Totals		(\$2,783)	(\$2,783)	(\$2,783)	(\$2,783)		

Executive New Proposals

1) Personal Services Reduction - The executive proposes to implement vacancy savings of 5 percent per year of personal services costs associated with 1.25 FTE assigned to the program, resulting in a general fund savings of \$2,783 each year of the 1997 biennium.

LFA Issue - The executive is proposing to utilize funds that are statutorily appropriated for district court reimbursement to fund the pay plan.

4107 00 00000

CRIME CONTROL DIVISION

Agency Summary

BIENNIUM BUDGET COMPARISON

Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	19.00	2.00	21.00	19.00	2.00	21.00	19.00	21.00
Personal Services	639,919	60,315	700,234	642,920	60,526	703,446	1,220,749	1,403,680
Operating Expenses	264,578	74,117	338,695	265,798	74,007	339,805	498,674	678,500
Equipment	10,135	4,000	14,135	8,892	2,500	11,392	21,367	25,527
Grants	3,648,554	342,500	3,991,054	3,647,995	342,500	3,990,495	7,106,251	7,981,549
Benefits and Claims	590,000	50,000	640,000	605,000	50,000	655,000	1,172,999	1,295,000
Total Costs	\$5,153,186	\$530,932	\$5,684,118	\$5,170,605	\$529,533	\$5,700,138	\$10,020,040	\$11,384,256
Fund Sources								
General Fund	484,698	0	484,698	486,617	0	486,617	925,086	971,315
State/Other Special	618,988	130,932	749,920	619,488	129,533	749,021	1,229,379	1,498,941
Federal Special	4,049,500	400,000	4,449,500	4,064,500	400,000	4,464,500	7,865,575	8,914,000
Total Funds	\$5,153,186	\$530,932	\$5,684,118	\$5,170,605	\$529,533	\$5,700,138	\$10,020,040	\$11,384,256

Agency Description

The mission of the Crime Control Division is to promote public safety by strengthening the coordination and performance of the criminal and juvenile justice system. The division was created by section 2-15-2006, MCA. Under the direction of a supervisory Board of Crime Control appointed by the Governor, the Crime Control Division provides financial support, technical assistance, and supportive services to state and local criminal justice agencies. The board administers and awards several grant programs, including the Juvenile Justice and Delinquency Prevention Act, the Victim/Witness Assistance Act, the State and Local Law Enforcement Assistance Act, the Narcotics Control Assistance Program, and the State Crime Victims' Compensation program.

4107 00 00000

CRIME CONTROL DIVISION

Agency Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	19.00	0.00	2.00	21.00	0.00	2.00	21.00	21.00
Personal Services	604,052	35,867	60,315	700,234	38,868	60,526	703,446	1,403,680
Operating Expenses	215,667	48,911	74,117	338,695	50,131	74,007	339,805	678,500
Equipment	9,838	297	4,000	14,135	(946)	2,500	11,392	25,527
Grants	3,254,929	393,625	342,500	3,991,054	393,066	342,500	3,990,495	7,981,549
Benefits and Claims	460,819	129,181	50,000	640,000	144,181	50,000	655,000	1,295,000
Total Costs	\$4,545,305	\$607,881	\$530,932	\$5,684,118	\$625,300	\$529,533	\$5,700,138	\$11,384,256
Fund Sources								
General Fund	457,348	27,350	0	484,698	29,269	0	486,617	971,315
State/Other Special	481,628	137,360	130,932	749,920	137,860	129,533	749,021	1,498,941
Federal Special	3,606,329	443,171	400,000	4,449,500	458,171	400,000	4,464,500	8,914,000
Total Funds	\$4,545,305	\$607,881	\$530,932	\$5,684,118	\$625,300	\$529,533	\$5,700,138	\$11,384,256

Funding

In addition to federal funding for the pass-through grant programs and a portion of crime victims' compensation benefits in the 1997 biennium, federal funding is provided for juvenile justice programs and for administration of the Juvenile Justice and Drug Enforcement Block Grant programs.

State special revenue funds crime victims' compensation benefits and administration, administration of the Youth Detention Services Grant program, and state match funds for administration of the federal Victim Assistance Grant program.

Funding for all other Crime Control Division activities is general fund, including operation of the Peace Officer Standards and Training program, the Montana Uniform Crime Reporting System, general agency administration, technical assistance to local law enforcement, and state match funds for the juvenile justice and drug enforcement federal grant programs.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$35,867		\$38,868
2 Inflation/Deflation		654		1,034
3 Fixed Costs		10,298		11,138
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$36,717		\$36,717
5 Other Expenses		1,242		1,242
6 Equipment		297		(946)
7 Grants		393,625		393,066
8 Benefits and Claims		129,181		144,181
<i>Total Executive Present Law Adjustments</i>	0.00	\$607,881	0.00	\$625,300

The executive provides an increase of \$607,881 in fiscal 1996 and \$625,300 in fiscal 1997. The present law adjustments are as follows:

- 1) Personal Services - The \$35,867 increase in fiscal 1996 and \$38,868 increase in fiscal 1997 are primarily due to the net result of the 1995 pay plan, small increases in salaries, and increases in benefits and insurance costs.

4) Contracted Services - The Executive Budget provides a \$36,717 increase each year of the biennium for funds received under the Juvenile Justice Block Grant for planning and administration. Previously, federal administrative funds were \$24,375 and required a \$24,375 general fund match. In fiscal 1996, the funds will increase to \$60,000 each year of the 1997 biennium with a required \$60,000 match. The match will be met by utilizing existing base funds and a slight increase of \$5,467 in juvenile detention administrative state special revenue funds. The match would consist of \$20,000 general fund and \$40,000 state special revenue funds, or approximately a \$4,375 general fund savings each year of the biennium.

5) Other Expenses - The Executive Budget provides \$1,242 in increases each year of the 1997 biennium for statewide indirect costs. Actual costs paid in fiscal 1994 were \$2,400, but were not reflected when one-time expenditures were removed from the base.

6) Equipment - The Executive Budget provides \$10,135 for replacement equipment in 1996 and \$8,892 in fiscal 1997. This amount represents an increase of \$297 in fiscal 1996 and a decrease of \$946 in fiscal 1997 over fiscal 1994 base expenditures.

7) Grants - Table 1 shows the pass-through grants and benefits program funding included in the Executive Budget for the 1997 biennium. All pass-through grants are federally funded. The 1997 biennium grants increase \$393,625 over fiscal 1994 actual expenditures, which is a \$168,580 increase over the 1994 and 1995 appropriation. The 1997 biennium levels are based on federal estimates of the amount of grant funds that will be awarded to Montana. As shown, the only grant with significant growth is the juvenile justice grant.

Crime victims' compensation benefits are funded with a combination of federal funds and state special revenue funds from fees collected in justices' courts.

8) Benefits and Claims - The Executive Budget provides for \$590,000 in fiscal 1996 and \$605,000 in fiscal 1997. The amounts do not represent an increase over the 1994 appropriation, but are a \$129,181 increase over the base expenditures in fiscal 1996 and \$144,181 in fiscal 1997. In fiscal 1997, available federal funds are expected to increase \$15,000.

4107 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Victim Compensation	1.00	\$0	\$80,932	1.00	\$0	\$79,533
2 Legislative Contract Authority	0.00	0	200,000	0.00	0	200,000
3 BA2 Restitution Program	1.00	0	50,000	1.00	0	50,000
4 BA15 Statistical Analysis Cent	0.00	0	50,000	0.00	0	50,000
5 BA0016-Delinquency Prevention	0.00	0	150,000	0.00	0	150,000
Totals	2.00	\$0	\$530,932	2.00	\$0	\$529,533

Executive New Proposals

1) Victim Compensation - The Executive Budget includes a new proposal for state special revenue funds of \$80,932 in fiscal 1996 and \$79,533 in fiscal 1997 to increase administrative support for the Crime Victim Compensation program. The addition of 1.0 FTE is requested to handle the steady increase in claims (between 10.0 to 15.0 percent a year) and to address the present backlog of approximately 300 claims. The turnaround time for a claim currently takes approximately 4 months. The program's stated optimal turnaround time is 60 days.

Table 1
Pass-Through Grants & Benefits
1997 Biennium

	Approp. Fiscal 1994	Fiscal 1996	New Proposals	Fiscal 1997	New Proposals
Pass-Through Grant Funds					
Victims' Assistance	\$381,000	\$400,000		\$400,000	
Juvenile Justice	410,000	457,636	\$142,500	457,219	\$142,500
D.A.R.E. Program Grants - SSR	20,000	0		0	
Drug Education/Prevention	466,588	463,837		463,837	
Drug Enforcement Block Grant	2,132,386	2,256,581		2,256,439	
Indian Victim Assistance	70,000	70,500		70,500	
Legislative Contract Authority			200,000		200,000
Subtotal	\$3,479,974	\$3,648,554	\$342,500	\$3,647,995	\$342,500
Crime Victims' Compensation Benefits					
State Special Revenue	\$455,000	\$505,000	\$0	\$505,000	\$0
Federal	135,000	135,000	0	150,000	0
Subtotal	\$590,000	\$640,000	\$0	\$655,000	\$0
Total Grants and Benefits Funds	\$4,069,974	\$4,288,554	\$342,500	\$4,302,995	\$342,500

The proposal would add: a) personal services of \$29,000 in fiscal 1996 and \$29,101 in fiscal 1997; b) operating expenses of \$432 in fiscal 1996 and 1997 for fixed costs of data network service; c) equipment of \$1,500 for one computer terminal in fiscal 1996; and d) \$50,000 in increased benefits to victims in fiscal 1996 and 1997. Administrative expenses totalled \$61,007 in fiscal 1994, or 13.2 percent of benefit payments. This proposal would increase total administrative expenses to \$91,939 in fiscal 1996, or 14.4 percent of benefit payments, and to \$90,540 in fiscal 1997, or 13.8 percent of benefit payments.

2) Legislative Contract Authority - The executive proposes to include an appropriation of \$200,000 each year of the 1997 biennium for legislative contract authority (LCA). LCA provides a means by which the legislature appropriates additional federal and private fund spending authority for funds an agency receives after the legislature adjourns, thus avoiding the need for budget amendments.

The following language is suggested by the executive:

"The legislature intends that the appropriation for legislative contract authority provide adequate spending authority to enable faster and more cost-effective start up of services otherwise initiated by budget amendment. Prior to authorizing use of the appropriation, the office of budget and program planning shall require the necessary and usual contract justification. A legislative contract authority appropriation must be

accounted for and reported separately from all other appropriations. In the event that the amount of the department's additional federal contracts exceed its legislative contract authority, additional spending authority must be established in accordance with the provision of the budget amendment law in Title 17, chapter 7, part 4."

As with budget amendments, the need for LCA appropriations may not be known at the time the legislature is in session. However, there are some differences between budget amendments and LCA. Unlike budget amendments, the Legislative Finance Committee does not review each individual LCA request to ensure it meets statutory criteria.

If the legislature approves the requested LCA, it may want to consider imposing reporting requirements similar to those imposed on the Department of Fish, Wildlife, and Parks.

3) Restitution Program - The Executive Budget includes a new proposal for \$50,000 in state special revenue funds each year of the 1997 biennium to fund a restitution program. The proposal includes \$31,315 in personal services to add a program officer to provide technical assistance to local governments to establish an automated restitution system. The automated system would track and follow up on offenders ordered by a court to make restitution payments in order to increase offender accountability. The program would also target offenders who have not made restitution to victims who have received crime victim compensation from the state special revenue fund.

This program was initiated as a pilot project with funding from reverted federal grant monies and state special revenue matching monies for fiscal 1995. According to the division, continued federal funding is not likely. The division anticipates that the increase in restitution collections will offset funds requested from the victims' compensation state special revenue account to cover the costs of the program.

4) Statistical Analysis Center - The Executive Budget includes a new proposal to provide the Crime Control Division with authority to spend \$50,000 in federal funds awarded from the Bureau of Justice Statistics annually. If approved, this new proposal would allow the legislature to appropriate additional federal funding that the division has normally received through the budget amendment process.

Statistical Analysis Center (SAC) grants are to enhance and expand the state's capability to develop and analyze relevant statistical information related to the justice system. This service provides information to policy makers regarding justice issues, and would continue the refinement and compatibility with national standards regarding the reporting and measurement of crime, victims, and arrest. SAC grants do not require a state match.

5) Delinquency Prevention - This proposal would provide the Crime Control Division with authority to spend \$150,000 in federal funds to be awarded from the Office of Juvenile Justice and Delinquency Prevention. These funds do not require a hard cash match and allow 5 percent of the funds, or approximately \$7,500, to be used for administration.

The delinquency prevention program is designed to enable units of local government to develop comprehensive prevention and education strategies that will prevent juvenile delinquency, encourage the healthy development of children and families, and enhance existing services to children and families. The program would also develop and implement local prevention strategies which use and coordinate federal, state, local and private resources for establishing a continuum of services for at-risk children and families.

The division plans to coordinate with the Department of Family Services and use these funds to enhance a Department of Family Services' program entitled "Partnership to Strengthen Families." The division stated it was likely that federal funding would continue for 5 years, but would be contingent on the accomplishments of the program.

4108 00 00000								
HIGHWAY TRAFFIC SAFETY								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	8.50	0.00	8.50	8.50	0.00	8.50	8.50	8.50
Personal Services	310,024	0	310,024	311,510	0	311,510	589,834	621,534
Operating Expenses	181,954	0	181,954	182,468	0	182,468	310,622	364,422
Equipment	4,600	0	4,600	4,600	0	4,600	17,172	9,200
Local Assistance	250,000	0	250,000	250,000	0	250,000	362,873	500,000
Grants	4,100,000	0	4,100,000	4,100,000	0	4,100,000	1,442,013	8,200,000
Total Costs	\$4,846,578	\$0	\$4,846,578	\$4,848,578	\$0	\$4,848,578	\$2,722,514	\$9,695,156
Fund Sources								
General Fund	250,000	0	250,000	250,000	0	250,000	361,397	500,000
State/Other Special	86,000	0	86,000	86,000	0	86,000	160,632	172,000
Federal Special	4,510,578	0	4,510,578	4,512,578	0	4,512,578	2,200,485	9,023,156
Total Funds	\$4,846,578	\$0	\$4,846,578	\$4,848,578	\$0	\$4,848,578	\$2,722,514	\$9,695,156

Agency Description

The Highway Traffic Safety Division was established by Title 61, Chapter 2, MCA, to promote public safety, health, and welfare through efforts directed toward reducing death, injury, and property loss resulting from traffic accidents. Projects are developed and initiated in various levels of government primarily through federal grant funds provided through the division to ensure that a long-term, stable, and statewide program exists. Current program priorities include occupant protection and drinking and driving projects.

4108 00 00000								
HIGHWAY TRAFFIC SAFETY								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	8.50	0.00	0.00	8.50	0.00	0.00	8.50	8.50
Personal Services	285,412	24,612	0	310,024	26,098	0	311,510	621,534
Operating Expenses	128,022	53,932	0	181,954	54,446	0	182,468	364,422
Equipment	9,442	(4,842)	0	4,600	(4,842)	0	4,600	9,200
Local Assistance	180,701	69,299	0	250,000	69,299	0	250,000	500,000
Grants	542,013	3,557,987	0	4,100,000	3,557,987	0	4,100,000	8,200,000
Total Costs	\$1,145,590	\$3,700,988	\$0	\$4,846,578	\$3,702,988	\$0	\$4,848,578	\$9,695,156
Fund Sources								
General Fund	180,701	69,299	0	250,000	69,299	0	250,000	500,000
State/Other Special	75,872	10,128	0	86,000	10,128	0	86,000	172,000
Federal Special	889,017	3,621,561	0	4,510,578	3,623,561	0	4,512,578	9,023,156
Total Funds	\$1,145,590	\$3,700,988	\$0	\$4,846,578	\$3,702,988	\$0	\$4,848,578	\$9,695,156

Funding

The general fund appropriation for this agency is to pass-through collections from driver's license reinstatement fees to county drinking and driving prevention programs. No general funds are provided for the administrative costs of the Highway Traffic Safety Program.

Highways special revenue funds provide a required 50 percent match on federal funds for administration and planning costs.

Federal funds include \$900,000 each year for federal pass-through grant authority. In fiscal 1996 and 1997, an additional \$3,200,000 will be received in federal pass-through funds as discussed in item 8b in the "Executive Present Law" section.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$24,612		\$26,098
2 Inflation/Deflation		19		219
3 Fixed Costs		4,685		4,999
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$49,179		\$49,179
5 Other Expenses		49		49
6 Equipment		(4,842)		(4,842)
7 Local Assistance		69,299		69,299
8 Grants				
a) Pass-Through		357,987		357,987
b) Non-Compliance		3,200,000		3,200,000
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$3,700,988</u>	<u>0.00</u>	<u>\$3,702,988</u>
<i>LFA Issues With Executive PL Adjustments</i>				
8 b) Non-Compliance with a Federal Mandate				

The division's fiscal 1996 budget increases \$3.7 million compared to the fiscal 1994 base budget, primarily due to a nearly \$3.6 million increase in federal pass-through grant funds. As explained in item 8b below, \$3.2 million of this increase is a diversion of highway construction funds due to non-compliance with a federal mandate.

1) Personal Services - Increases are due to the fiscal 1995 pay plan (\$3,557), vacancy savings, longevity, and increases in benefit costs.

4) Contracted Services - The Executive Budget provides \$135,000 each year of the biennium for consultant and professional services. The \$135,000 represents a \$49,179 annual increase over fiscal 1994 actual expenditures and equals the amount appropriated each year of the last two biennia. Public information and education contracts anticipated are: a) \$85,000 for alcohol countermeasures; and b) \$50,000 for protection of occupants in motor vehicles.

5) Other Operating Expenses - Other minor increases in operating expenses are primarily due to repair and maintenance.

6) Equipment - The Executive Budget includes \$4,600 in equipment each year for replacement of two personal computers. This level represents a \$4,842 decrease from fiscal 1994 actual expenditures of \$9,442.

7) Local Assistance - Local assistance funds from drivers' license reinstatement fees for distribution to local governments increase \$69,299 each year in the 1997 biennium. Section 61-2-107, MCA, provides that "a driver's license that has been suspended or revoked . . . must remain suspended or revoked until the driver has paid to the department [of Justice] a fee of \$100 . . ." The fees collected are deposited to the general fund and one-half of the fees are appropriated and used for funding county drinking and driving prevention programs. The increase is based on projections from fees collected in fiscal 1994.

8) Federal Pass-Through Grant Funds - The Executive Budget includes \$4.1 million each year of the 1997 biennium for federal pass-through grants. This level represents a \$3.6 million increase from fiscal 1994 actual expenditures. The \$4.1 million is based on: a) \$900,000 increase in federal highway traffic safety pass-through grants; and b) \$3.2 million that will be diverted from highway construction due to noncompliance with a federal mandate.

a) Pass-Through Grants - The \$900,000 included for fiscal 1996 and 1997 represents a \$357,987 increase over fiscal 1994 actual expenditures, although \$900,000 was appropriated each year of the 1995 biennium. The federal government's formula for distributing these federal pass-through grant funds to the state is based on highway mileage and population; and

b) Noncompliance with a Federal Mandate - Federal law specifies that states without both safety belt and motorcycle helmet use laws in effect on October 1, 1994 are not in compliance with Section 153 of Title 23 of the United States Code. Because Montana is not in compliance, 3.0 percent of the state's 1995 National Highway System (NHS), Surface Transportation Program (STP), and Congestion Management and Air Quality (CMAQ) highway construction fund apportionments will be transferred to the state's highway safety program each year of the 1997 biennium and each subsequent year. Based on fiscal 1994 apportionments for these programs, it is estimated that 3.0 percent will amount to approximately \$3.2 million. (In July 1994, a budget amendment was approved for \$1.6 million, or 1.5 percent of the above-mentioned apportionment, to be transferred to the state Highway Traffic Safety Division.)

A Highway Safety Plan (HSP) must be submitted to the federal government describing the planned programs, projects, and activities, in order to secure federal authority to obligate the transferred funds. The HSP proposed expenditures must conform to the joint regulations issued by the National Highway Traffic Safety Administration and the Federal Highway Administration. Only the amount of transferred funds which have been approved as part of an acceptable HSP may be expended. None of the transferred funds are subject to a matching requirement.

These federal highway construction funds would have been used by the Montana Department of Transportation for highway construction. Instead, local governments and state agencies will receive \$1.8

million and \$1.4 million respectively in fiscal 1996, to be used according to the approved HSP as shown in Table 1. In fiscal 1994, these government entities received no funds from this program for these purposes.

Table 1 Proposed Federal Funding				
Purpose	Federal Fiscal Year 1996		Federal Fiscal Year 1997	
	Local Benefit	Total Amount	Local Benefit	Total Amount
One-Time Costs				
Traffic Records				
Emergency Medical Services (EMS)				
Data Acquisition & Use	\$100,000	\$100,000		
Dept. of Transp. Traffic Records	0	161,849		
Criminal Justice Info. Network Local				
Improvements			\$63,000	\$63,000
MHP In-Car Convertible Computers			0	600,000
MHP In-Car Global Position System (GPS)			0	180,000
Local Law Enforcement In-Car Computers			1,000,000	1,000,000
Local Law Enforcement In-Car GPS			573,941	573,941
Alcohol				
MHP In-Car Videos	\$0	\$600,000		
Local Law Enforcement In-Car Video	800,000	800,000		
Local DUI Task Forces	200,000	200,000	\$200,000	\$200,000
Portable Alcohol Testing	100,000	100,000	100,000	100,000
Police Traffic Services				
Public Safety Radio Study	\$100,000	\$200,000		
Roadway				
Local Work Zone Signing	\$200,000	\$200,000		
Local Road Accident Studies	200,000	200,000		
EMS				
Trauma Plan Implementation	\$100,000	\$200,000	\$100,000	\$200,000
Ongoing Costs				
Seven New Highway Patrol	\$0	\$438,151 *		\$283,059 *
Total	\$1,800,000	\$3,200,000	\$2,036,941	\$3,200,000
*The equipment associated with these positions is purchased the first year. Therefore, costs decrease the second year.				

LFA Issue - As shown in Table 1, most projected expenditures are for one-time only items. However, the division is also proposing the support of an additional 7.0 FTE highway patrol officers with these funds. On-going costs total \$283,059 per year. If Montana enacts a motorcycle helmet law and these funds are no longer available, the state would have to either terminate these positions or find an alternate funding source. Highway patrol officers are currently supported with highway state special revenue funds. The executive is proposing that the funding source be switched to general fund in the 1999 biennium.

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DEPARTMENT OF JUSTICE			BIENNIUM BUDGET COMPARISON					
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	652.55	20.00	672.55	652.55	20.00	672.55	661.55	672.55
Personal Services	23,134,790	(356,660)	22,778,130	23,268,867	(388,424)	22,880,443	44,312,320	45,658,573
Operating Expenses	9,614,799	718,580	10,333,379	9,311,843	611,905	9,923,748	17,246,843	20,257,127
Equipment	1,624,090	1,940,229	3,564,319	1,511,518	1,056,691	2,568,209	3,259,279	6,132,528
Local Assistance	0	0	0	0	0	0	2,000	0
Transfers	0	0	0	0	0	0	5,000	0
Debt Service	304,155	0	304,155	277,544	0	277,544	915,653	581,699
Total Costs	\$34,677,834	\$2,302,149	\$36,979,983	\$34,369,772	\$1,280,172	\$35,649,944	\$65,741,095	\$72,629,927
Fund Sources								
General Fund	14,711,192	1,379,997	16,091,189	14,187,865	1,639,901	15,827,766	22,565,181	31,918,955
State/Other Special	17,611,305	(242,049)	17,369,256	17,892,406	(1,293,145)	16,599,261	37,752,323	33,968,517
Federal Special	1,693,958	1,191,473	2,885,431	1,626,138	960,893	2,587,031	3,305,653	5,472,462
Proprietary	661,379	(27,272)	634,107	663,363	(27,477)	635,886	2,117,938	1,269,993
Total Funds	\$34,677,834	\$2,302,149	\$36,979,983	\$34,369,772	\$1,280,172	\$35,649,944	\$65,741,095	\$72,629,927

Agency Description

The Department of Justice, under the direction of the Attorney General, is responsible for statewide legal services and counsel, law enforcement, and public safety, as authorized in section 2-15-501, MCA. The duties of the department include: 1) providing legal representation for the state and its political subdivisions in criminal appeals; 2) providing legal services and counsel for the state, county, and municipal agencies and their officials; 3) enforcing Montana traffic laws and registering all motor vehicles; 4) enforcing state fire safety codes and regulations; 5) assisting local law enforcement agencies in bringing offenders to justice; 6) managing a statewide system of death investigations and providing scientific analyses of specimens submitted by law enforcement officials, coroners, and state agencies; and 7) providing for the uniform regulation of all gambling activities in the state of Montana.

Supplemental Requests

The executive includes three supplementals to the department. One supplemental included in the Executive Budget document released in November (\$12,000 for county attorney salaries), has been withdrawn.

1) Cascade County Property Tax - The executive includes \$1,000,000 general fund in fiscal 1995 for the Cascade County property tax settlement in *Woith v. Cascade County*. Language was added to HB 2 in the November 1993 Special Session stating that "the legislature recognizes that the Montana Supreme Court decision in *Woith v. Cascade County* may require payment from the state general fund to the property taxpayers in Cascade County. In that event, the department shall request a supplemental appropriation from the 1995 legislature for those payments." A separate supplemental bill (HB 16) is being introduced for this settlement, due to severe cashflow problems.

2) Litigation - The Executive Budget includes \$400,000 general fund in fiscal 1995 for litigation costs of two water rights cases, the Crow coal and Blackfeet cases. The agency is requesting this to supplement a HB 2 appropriation of \$400,000 for litigation costs. The general appropriations act from the last session contained language that the "legislature recognizes that costs associated with litigation in which the legal services division must provide representation to the state of Montana may exceed the appropriation provided in item 1c. In that event, the department will request a supplemental appropriation from the 1995 legislature to adequately represent the state."

3) Per Diem - The Executive Budget includes \$436,000 in fiscal 1995 from the highways special revenue account for prisoner per diem paid to local detention centers for prisoners arrested by the Highway Patrol. Legislation passed in 1991 replaced the \$20 per day boarding costs with "reasonable costs". Costs per day range from \$20 to \$40. The department states harsher jail sentences, individuals serving more of their sentences, more prisoners, and increases in daily rates account for the increasing costs. The agency made an appropriation transfer of \$174,000 from the highway patrol's fiscal 1995 appropriation to fiscal 1994 for the increased costs.

4110 00 00000 DEPARTMENT OF JUSTICE								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	665.70	(13.15)	20.00	672.55	(13.15)	20.00	672.55	672.55
Personal Services	21,837,777	1,297,013	(356,660)	22,778,130	1,431,090	(388,424)	22,880,443	45,658,573
Operating Expenses	8,270,130	1,344,669	718,580	10,333,379	1,041,713	611,905	9,923,748	20,257,127
Equipment	1,797,911	(173,821)	1,940,229	3,564,319	(286,393)	1,056,691	2,568,209	6,132,528
Transfers	5,000	(5,000)	0	0	(5,000)	0	0	0
Debt Service	312,324	(8,169)	0	304,155	(34,780)	0	277,544	581,699
Total Costs	\$32,223,142	\$2,454,692	\$2,302,149	\$36,979,983	\$2,146,630	\$1,280,172	\$35,649,944	\$72,629,927
Fund Sources								
General Fund	12,984,887	1,726,305	1,379,997	16,091,189	1,202,978	1,639,901	15,827,766	31,918,955
State/Other Special	16,612,069	999,236	(242,049)	17,369,256	1,280,337	(1,293,145)	16,599,261	33,968,517
Federal Special	1,573,232	120,726	1,191,473	2,885,431	52,906	960,893	2,587,031	5,472,462
Proprietary	1,052,954	(391,575)	(27,272)	634,107	(389,591)	(27,477)	635,886	1,269,993
Total Funds	\$32,223,142	\$2,454,692	\$2,302,149	\$36,979,983	\$2,146,630	\$1,280,172	\$35,649,944	\$72,629,927

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

4110 00 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Bankruptcy/Collection Unit	4.00	\$151,728	\$151,728	4.00	\$151,728	\$151,728
2 Antitrust Revolving Account	0.00	0	15,000	0.00	0	15,000
3 Legal Ser Attorney Fund Switch	0.00	28,654	0	0.00	28,757	0
4 Personal Services Reductions	0.00	(38,423)	(44,678)	0.00	(38,572)	(44,851)
5 Personal Services Reductions	0.00	0	(26,922)	0.00	0	(27,125)
6 New Equipment/Vehicle	0.00	2,856	13,600	0.00	0	0
7 Migration/State 8 Yr X 2300 Sy	0.00	6,718	35,446	0.00	5,961	35,298
8 Automated Video Gambling System	0.00	0	950,000	0.00	0	0
9 New Rental Space	0.00	7,017	33,412	0.00	7,017	33,412
10 Add'l Compliance Staff	6.00	61,511	292,909	6.00	46,076	219,409
11 Personal Services Reductions	0.00	(15,623)	(74,395)	0.00	(15,753)	(75,015)
12 Relocation/Registrar's Bureau	0.00	111,000	111,000	0.00	60,000	60,000
13 MVD - Fund Switch	0.00	1,109,306	(2,354)	0.00	1,109,090	(2,570)
14 Personal Services Reductions	(2.00)	(234,538)	(234,538)	(2.00)	(236,784)	(236,784)
15 In-Car Automation/Supp Panels	0.00	0	622,674	0.00	0	872,674
16 Rent/Ammo/Training	0.00	0	32,585	0.00	0	25,085
17 APU - Fund Switch	0.00	0	0	0.00	0	0
18 New Patrol Officers	10.00	0	634,191	10.00	0	397,801
19 Legislative Contract Authority	0.00	0	100,000	0.00	0	100,000
20 Personal Services Reductions	0.00	0	(478,821)	0.00	0	(482,750)
21 AFIS - Fund Switch	0.00	0	0	0.00	360,000	0
22 Lans/Body Wire/Radios	0.00	16,400	32,800	0.00	0	0
23 Legislative Contract Authority	0.00	0	150,000	0.00	0	150,000
24 Personal Services Reductions	0.00	(68,026)	(95,530)	0.00	(68,798)	(96,612)
25 Central Testing Equipment	0.00	0	12,000	0.00	0	2,000
26 Increase Basic School Students	0.00	0	24,480	0.00	0	25,000
27 Spending Authority/Uniforms	0.00	18,000	18,000	0.00	18,000	18,000
28 Reinstate Coroner Training	0.00	2,000	2,000	0.00	2,000	2,000
29 Personal Services Reductions	0.00	(11,895)	(11,895)	0.00	(11,987)	(11,987)
30 Legislative Contract Authority	0.00	0	10,000	0.00	0	10,000
31 Inter. Cost Alloc't Fund Switch	0.00	17,653	0	0.00	15,852	0
32 Personal Services Reductions	0.00	(7,518)	(17,484)	0.00	(7,571)	(17,607)
33 CJIN Auditor/Training Position	2.00	26,524	56,434	2.00	26,054	55,434
34 CJIN 2000	0.00	0	15,000	0.00	0	133,300
35 4 New CJIN Agencies	0.00	0	14,912	0.00	0	16,640
36 Personal Services Reductions	0.00	(29,101)	(39,864)	0.00	(29,319)	(40,163)
37 New Equipment	0.00	9,300	9,300	0.00	2,170	2,170
38 Fund Switch-Part of Oper Costs	0.00	255,562	(560)	0.00	255,429	(612)
39 Legislative Contract Authority	0.00	0	40,000	0.00	0	40,000
40 Personal Services Reductions	0.00	(39,108)	(48,281)	0.00	(39,449)	(48,703)
Totals	20.00	\$1,379,997	\$2,302,149	20.00	\$1,639,901	\$1,280,172

Other LFA Issues

1) Legislative Contract Authority - As shown in Table 1, the executive recommends legislative contract authority (LCA) to four programs for a total of \$300,000 per year. LCA provides a means by which the legislature appropriates additional federal and private funds an agency may receive after the legislature adjourns, thus eliminating the need for budget amendments.

The following illustrates the average number of budget amendments per year, in the past two fiscal years, and the average yearly amount requested:

a) Highway Patrol Division - 4 budget amendments per year, \$181,395 average yearly amount;

b) Law Enforcement Services Division - 5 budget amendments per year, \$395,500 average per year;

c) Law Enforcement Academy - 1 budget amendment per year, \$14,250 average per year; and

d) Forensic Sciences - 1 budget amendment per year, \$14,868 average per year.

Table 1
Legislative Contract Authority

Program	LCA Provided Per Year - Executive
Montana Highway Patrol	\$100,000
Law Enforcement Services Division	150,000
Montana Law Enforcement Academy	10,000
Forensic Sciences Division	40,000
Total	\$300,000

The legislature may wish to consider whether the use of budget amendments by the Department of Justice, particularly the Law Enforcement Academy and Forensic Sciences Division is extensive enough to justify Legislative Contract Authority.

The following language is suggested by the executive:

"The legislature intends that the appropriation for legislative contract authority provide adequate spending authority to enable faster and more cost-effective start-up of services otherwise initiated by budget amendment. Prior to authorizing use of the appropriation, the office of budget and program planning shall require the necessary and usual contract justification. A legislative contract authority appropriation must be accounted for and reported separately from all other appropriations. In the event that the amount of the department's additional federal contracts exceed its legislative contract authority, additional spending authority must be established in accordance with the provision of the budget amendment law in Title 17, chapter 7, part 4."

As with budget amendments, the need for LCA appropriations may not be known at the time the legislature is in session. However, there are some differences between budget amendments and LCA. Unlike budget amendments, the Legislative Finance Committee does not review each individual LCA request to ensure it meets statutory criteria.

If the legislature approves the requested LCA, it may want to consider adding reporting requirements similar to those imposed on the Department of Fish, Wildlife, and Parks (for a further discussion, see the Department of Fish, Wildlife, and Parks "Other LFA Issues"), which states:

"The appropriations for the legislative contract authority are subject to the following provisions:

- a) Legislative contract authority applies only to federal and private funds.
- b) The department may transfer appropriation authority between state special revenue and federal special revenue. Transfers may not change the total appropriated to the department for legislative contract authority.
- c) Legislative contract authority expenditures must be reported on state accounting records. The records must be separate from current level operations.
- d) A report must be submitted by the department to the legislative fiscal analyst following the end of each fiscal year of the biennium. The report must include a listing of projects, with the related amount of expenditures for each project."

2) Highway Traffic Safety Grants - If new proposals supported by additional highway traffic safety grants are approved by the legislature, the Department of Justice will receive an additional \$1,038,151 in fiscal 1996 and \$1,126,059 in fiscal 1997. These grant monies represent a reallocation of federal highways funds from the Department of Transportation, a result of Montana not having a motorcycle helmet law.

These monies will be used to: a) support an additional 7.0 FTE highway patrol officers. First year costs to support the additional FTE are \$438,151, with on-going costs of \$283,059 per year. Highway patrol officers are currently supported with highway state special revenue funds. The executive is proposing that the funding source be switched to general fund in the 1999 biennium; b) provide \$600,000 in fiscal 1996 for highway patrol in-car video cameras; c) provide \$600,000 in fiscal 1997 for in-car convertible computers; d) provide \$180,000 in fiscal 1997 for in-car global position system units (provides exact location of accident); and e) provide \$63,000 in fiscal 1997 for the Criminal Justice Information Network (CJIN).

Since the patrol officers represent ongoing costs, if Montana enacts a motorcycle helmet law, or at the end of three years when these funds are no longer available, the state would have to either terminate these positions or find an alternate funding source.

3) Fund Switch - As stated in the Executive Budget, the executive proposes to. . . "begin transferring the funding for the highway patrol and motor vehicle registration programs of the Department of Justice back from the state gasoline tax account into the general fund. Motor vehicle funding is transferred to the general fund in the 1997 biennium and the highway patrol is planned to be transferred during the following biennium". In addition, the executive proposes changing the funding in the Forensics Program from alcohol tax to general fund. (An analysis of the alcohol tax shows that revenues may not be sufficient to fund all programs, in the Executive Budget. For a further discussion, see the Corrections and Human Services narrative. Table 2 shows the impact to general fund each year of the 1997 biennium due to all funding switches proposed by the executive in the Department of Justice.

Table 2
General Fund Increase
Due to Fund Switches

	General Fund FY1996	General Fund FY1997
<u>Earmarked Alcohol Tax State Special Revenue</u>		
Forensic Sciences	\$255,562	\$255,429
<u>Highways Special Revenue</u>		
Motor Vehicle Division	1,109,306	1,109,090
Legal Services Division	28,654	28,757
Central Services Division	17,653	15,852
<u>Federal Funds</u>		
Law Enforcement Services Division - AFIS		360,000
<u>Proprietary Funds (Liquor Enterprise Funds)</u>		
Gambling Control Division	422,849	422,992
Law Enforcement Services Division	167,202	166,057
Total	\$2,001,226	\$2,358,177

The highway patrol proposed budget in the 1997 biennium totals \$26,885,119 of highways special revenue funds. Therefore, these costs would be borne by the general fund in the 1999 biennium. If highways special revenue funds continued to support the Montana Highway Patrol in the 1999 biennium, based on a 3.5 percent inflation rate on operating expenses and 1999 biennium estimated collections from the gas tax, the fund would have an ending cash balance of \$7.9 million in fiscal 1998 and a negative \$7.1 million in fiscal 1999. For a further discussion, see the agency section of the Department of Transportation.

4110 01 00000								
DEPARTMENT OF JUSTICE				LEGAL SERVICES DIVISION				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	40.50	(9.00)	4.00	35.50	(9.00)	4.00	35.50	35.50
Personal Services	1,374,701	76,963	90,429	1,542,093	79,609	90,734	1,545,044	3,087,137
Operating Expenses	943,547	(172,588)	16,728	787,687	(691,263)	16,728	269,012	1,056,699
Equipment	11,119	25,881	14,893	51,893	25,881	14,415	51,415	103,308
Transfers	5,000	(5,000)	0	0	(5,000)	0	0	0
Debt Service	783	(783)	0	0	(783)	0	0	0
Total Costs	\$2,335,150	(\$75,527)	\$122,050	\$2,381,673	(\$591,556)	\$121,877	\$1,865,471	\$4,247,144
Fund Sources								
General Fund	2,164,440	(121,804)	141,959	2,184,595	(638,850)	141,913	1,667,503	3,852,098
State/Other Special	131,106	46,102	(19,015)	158,193	46,991	(19,139)	158,958	317,151
Federal Special	39,604	175	(894)	38,885	303	(897)	39,010	77,895
Total Funds	\$2,335,150	(\$75,527)	\$122,050	\$2,381,673	(\$591,556)	\$121,877	\$1,865,471	\$4,247,144

Program Description

The Legal Services Division provides the Attorney General with legal research and analysis; provides legal counsel for state government officials, bureaus, and boards; provides legal assistance to local governments and Indian tribes; and provides legal assistance, training, and support for county prosecutors.

Funding

The Legal Services Division is primarily supported by general fund, which provides over 90 percent of total funding. New proposals would increase general fund by \$141,959 in fiscal 1996 and \$141,913 in fiscal 1997.

State special revenue funds total: 1) \$54,579 in fiscal 1996 and \$54,778 in fiscal 1997 in crime investigation funds, which supports one attorney and associated operating costs; 2) \$93,082 in fiscal 1996 and \$93,665 in fiscal 1997 in gambling license fees, which supports two attorneys and associated operating costs; and 3) \$29,547 in fiscal 1996 and \$29,654 in fiscal 1997 in highways special revenue funds, which pays for 0.6 FTE attorney and associated operating costs. The executive is proposing to replace the highways special revenue funds with general fund in its new proposals. Additional new proposals would result in a net increase of state special revenue funds of \$10,532 in fiscal 1996 and \$10,515 in fiscal 1997.

Federal revenues of \$39,779 in fiscal 1996 and \$39,907 in fiscal 1997 from a Board of Crime Control grant supports one attorney and associated operating costs. The personal services reduction proposal would reduce federal funds \$894 in fiscal 1996 and \$897 in fiscal 1997.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The Natural Resource Damage Program (NRDP) was transferred from the Department of Health to the Department of Justice by Executive Order in fiscal 1994. In the 1995 biennium, the NRDP was funded by a loan from the coal severance tax permanent fund. Legislation for reauthorization of the loan and appropriation authority for the 1997

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(0.90)	\$76,963	(0.90)	\$79,609
2 Inflation/Deflation & 3) Fixed Costs		16,796		17,621
<i>Other Executive Present Law Adjustments</i>				
4 Annualization of Costs		\$3,776		\$3,276
5 Contracted Services		(206,631)		(712,231)
6 Supplies & Materials		2,976		(10,424)
7 Travel		8,251		8,251
8 Repair & Maintenance		1,550		1,550
9 Other Expenses		694		694
10 Equipment		25,881		25,881
11 Principal/Interest		(5,783)		(5,783)
<i>Total Executive Present Law Adjustments</i>	<i>(0.90)</i>	<i>(\$75,527)</i>	<i>(0.90)</i>	<i>(\$591,556)</i>

biennium will be presented to the 1995 legislature.

Present law adjustments remove 9.0 FTE that were transferred with the Natural Resource Damage Program from the Department of Health to the Department of Justice. All expenditures were removed when establishing the base.

The net reduction in executive present law recommendations is primarily due to decreases in contracts, discussed in item 5 below.

1) Personal Services - The increase is the net result of increases in salaries and benefits, the fiscal 1995 pay plan, and 3 upgrades and one downgrade of attorney specialist positions.

4) Annualization of Costs - The executive provides the following increases for annualization of costs associated with a mid-year hiring of the primary attorney for the Workers' Compensation Fraud Unit (created by the 1993 legislature): a) \$1,518 each year in contracted services; b) \$1,340 in fiscal 1996 and \$840 in fiscal 1997 for supplies and materials; c) \$509 each year in communications; and d) \$409 each year for travel.

5) Contracted Services - The executive recommends the following adjustments:

a) decreases of \$209,918 in fiscal 1996 and \$709,918 in fiscal 1997. In fiscal 1994, major litigation exceeded the \$500,000 biennial appropriation and an appropriation transfer from fiscal 1995 was requested and approved. The fiscal 1996 request for \$500,000 (biennial appropriation) reflects past appropriation levels and is a reduction from 1994 actual expenditures;

b) a decrease of \$2,313 each fiscal year in legal fees and court costs related to fiscal 1994 major litigation;

c) an increase of \$5,600 in fiscal 1996 for costs related to printing a book of Attorney General opinions (done every 4 to 5 years) and an increase in costs for printing court documents.

6) Supplies and Materials - The executive includes an increase of \$2,976 in fiscal 1996 and a decrease of \$10,424 in fiscal 1997. The majority of the increase in fiscal 1996 is attributed to the cost of purchasing the Montana Code Annotated, which is purchased following the legislative session.

7) Travel - The executive recommends an increase of \$8,251 each fiscal year in anticipation of nine cases which will require out-of-state travel.

8) Repair and Maintenance - An increase of \$1,550 each fiscal year is due to an increase in the maintenance cost and copy charges of a xerox copy machine.

9) Other Expenses - The executive provides minor adjustments that total an increase of \$694 each fiscal year.

10) Equipment - The executive provides \$37,000 each fiscal year for upgrading the network hardware, an increase of \$25,881 each fiscal year over the fiscal 1994 base budget. Of the 56 personal computers (PCs) currently in use, the agency states that 40 are beyond their normal life expectancy. This adjustment would provide the replacement of 20 PCs each fiscal year and one laser printer each fiscal year.

11) Principal/Interest - The executive provides a decrease of \$5,783 each fiscal year because photocopy machines will be paid off in fiscal 1995.

Language - Language that was included in the general appropriations act by the last legislature is again requested:

"The legislature recognizes that costs associated with litigation in which the legal services division must provide representation to the state of Montana may exceed the appropriation provided. In that event, the department will need to request a supplemental appropriation from the 1997 legislature to adequately represent the state."

4110 01 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Bankruptcy/Collection Unit	4.00	\$151,728	\$151,728	4.00	\$151,728	\$151,728
2 Antitrust Revolving Account			15,000			15,000
3 Legal Ser Attorney Fund Switch		28,654			28,757	
4 Personal Services Reductions		(38,423)	(44,678)		(38,572)	(44,851)
Totals	4.00	\$141,959	\$122,050	4.00	\$141,913	\$121,877

Executive New Proposals

1) Bankruptcy/Collection Unit - This new proposal would create a unit to specialize in collecting money due the state, with emphasis on bankruptcy practice. As a pilot project, two attorneys, one paralegal and a secretary would be assigned to the unit. Funding of \$151,728 each year would come from the general fund. The unit would sunset at the end of the biennium if collections did not equal or exceed expenditures. If sufficient funds were collected, the unit would continue through the use of a proprietary account.

Currently, each executive branch agency is responsible for collecting any money owed the agency. Because bankruptcy is a specialty, the agency feels the state has been ineffective in collecting sums due from bankruptcy estates.

LFA Issue - The budget for the Secretary of State includes a new proposal for a bankruptcy coordinator. The Secretary of State's proposal requests 1.0 FTE each year and proprietary funds of \$34,567 in fiscal 1996 and \$35,009 in fiscal 1997 (for more information, see the "Executive New Proposals" section in the Secretary of State's Office). It is unknown how the two new proposals would coordinate functions in bankruptcy proceedings affecting the state.

The department did not provide information as to: a) the value of potential collections; b) what the reductions would be in executive branch agencies since they currently handle bankruptcy collections involving their agencies; or c) how much is currently received in bankruptcy collections. The legislature may wish to ask the department to provide this information prior to acting on this proposal.

2) Antitrust Revolving Account - This proposal includes \$15,000 state special revenue each year for consultant and professional services to establish a revolving account in the Department of Justice in which recoveries in antitrust cases would be deposited and from which the Attorney General would be authorized to use monies to defray the cost of participating in these antitrust cases. Any balance from the account above necessary operating expenses would be available for deposit to the general fund.

Currently, the state does not have any staff or appropriation dedicated to antitrust actions, but participates to the extent possible using existing staff and resources. These cases sometimes produce small recoveries of damages through negotiated settlements. They also frequently require participation in the cost of litigation. Montana's portion of the amounts recovered is currently deposited in the general fund, with no provision to offset related costs incurred by the Attorney General's office.

3) Legal Services Attorney Fund Switch - The executive proposes to replace highway special revenue funding for a 0.6 FTE attorney with general fund. The funding for this position would reflect the decrease in highways special revenue funds for the Motor Vehicle Division.

4) Personal Services Reduction - The Executive Budget proposes to reduce personal services by \$44,678 in fiscal 1996 and \$44,851 in fiscal 1997. The agency plans to meet this reduction by imposing vacancy savings of 3.1 percent in fiscal years 1996 and 1997. In fiscal 1996, this proposal would reduce: a) general fund by \$34,423; b) state special revenue by \$5,361; and c) federal funds by \$894. In fiscal 1997, this proposal would reduce: a) general fund by \$38,572; b) state special revenue by \$5,382; and c) federal funds by \$897.

Elected Officials New Proposals

1) Appellate Legal Staff - The Attorney General requests \$79,500 of general fund in fiscal 1996 and \$72,500 in fiscal 1997 to add 2.0 FTE (one attorney and one support staff) to enable the appellate legal services to meet the increasing workload in a timely manner. Department staff state that staffing levels have not increased since 1982, and staff attorneys routinely request extensions of time to file briefs.

4110 06 00000								
DEPARTMENT OF JUSTICE				AGENCY LEGAL SERVICES				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	13.50	0.00	0.00	13.50	0.00	0.00	13.50	13.50
Personal Services	463,657	74,775	(26,922)	511,510	77,055	(27,125)	513,587	1,025,097
Operating Expenses	98,856	14,716	0	113,572	15,335	0	114,191	227,763
Debt Service	1,339	(1,339)	0	0	(1,339)	0	0	0
Total Costs	\$563,852	\$88,152	(\$26,922)	\$625,082	\$91,051	(\$27,125)	\$627,778	\$1,252,860
Fund Sources								
Proprietary	563,852	88,152	(26,922)	625,082	91,051	(27,125)	627,778	1,252,860
Total Funds	\$563,852	\$88,152	(\$26,922)	\$625,082	\$91,051	(\$27,125)	\$627,778	\$1,252,860

Program Description

The Agency Legal Services program provides legal services to state agencies upon request, particularly in support of litigation. Agencies are billed for attorney time and case-related costs to support the program. The program is administratively attached to the Legal Services Division.

Funding

Agency Legal Services is a proprietary fund operation. The source of revenue is an hourly fee charged to user agencies for its services. The agency currently charges \$53 per hour for attorney fees and \$30 per hour for paralegal services.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$74,775		\$77,055
2 Inflation/Deflation		181		301
3 Fixed Costs		4,905		5,404
<i>Other Executive Present Law Adjustments</i>				
4 Vacant Position Filled		\$9,630		\$9,630
5 Installment Purchases		(1,339)		(1,339)
<i>Total Executive Present Law Adjustments</i>	0.00	\$88,152	0.00	\$91,051

1) Personal Services - The Executive Budget requests an increase of \$74,775 in fiscal 1996 and \$77,055 in fiscal 1997. The primary reason for the increase is vacancy savings realized due to the vacancy in fiscal 1994 of 1.0 FTE attorney position that is fully funded in the 1997 biennium. Additional increases are due to the net result of the fiscal 1995 pay plan, salary decreases, upgrades of two administrative support positions, and increases in benefit costs.

4) Vacant Position Filled - As stated, a 1.0 FTE attorney position was vacant in fiscal 1994. Due to the increase in demand for legal services by state agencies, the position was filled in fiscal 1995. The base budget for fiscal 1994 does not reflect the overhead costs associated with this position; therefore, the executive has provided the following increases each year associated with this position: a) \$5,944 for legal fees and court costs, which is the average cost per attorney; b) \$1,706 for supplies; c) \$877 for communications; d) \$1,103 for travel.

5) Installment Purchases - A decrease of \$1,339 is provided each fiscal year for debt service on the division's photocopier, which will be paid off in fiscal 1995.

4110 06 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions			(\$26,922)			(\$27,125)
Totals			(\$26,922)			(\$27,125)

Executive New Proposals

1) Personal Services Reduction - The Executive Budget proposes to reduce personal services by \$26,922 in fiscal 1996 and \$27,125 in fiscal 1997. The agency plans to meet this reduction by imposing vacancy savings of 5 percent in fiscal 1996 and 1997. Vacancy savings was approximately 15 percent in fiscal 1994.

4110 07 00000								
DEPARTMENT OF JUSTICE				GAMBLING CONTROL DIVISION				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	42.00	0.00	6.00	48.00	0.00	6.00	48.00	48.00
Personal Services	1,400,143	87,755	85,289	1,573,187	95,195	85,220	1,580,558	3,153,745
Operating Expenses	405,457	86,842	156,579	648,878	88,724	109,484	603,665	1,252,543
Equipment	138,007	(60,307)	1,009,104	1,086,804	(67,907)	18,400	88,500	1,175,304
Debt Service	2,898	0	0	2,898	(2,898)	0	0	2,898
Total Costs	\$1,946,505	\$114,290	\$1,250,972	\$3,311,767	\$113,114	\$213,104	\$2,272,723	\$5,584,490
Fund Sources								
General Fund	0	433,349	62,479	495,828	433,492	43,301	476,793	972,621
State/Other Special	1,538,955	88,491	1,188,493	2,815,939	87,172	169,803	1,795,930	4,611,869
Proprietary	407,550	(407,550)	0	0	(407,550)	0	0	0
Total Funds	\$1,946,505	\$114,290	\$1,250,972	\$3,311,767	\$113,114	\$213,104	\$2,272,723	\$5,584,490

Program Description

The Gambling Control Division was established by the 1989 legislature to investigate, license, and regulate the gambling industry in Montana. An appointed gaming advisory council of nine members provides advisory services to the Attorney General to ensure uniform statewide regulation of gambling activities. The division has criminal justice authority and conducts routine field inspections and investigations for irregularities in gambling activities. In addition to collecting licensing fees for gambling machines and activities, the division is also responsible for collecting and distributing the gambling tax assessed on the net proceeds of gambling activities. The division is also responsible for investigative functions relating to alcoholic beverage licensing and tobacco enforcement.

Funding

Primary funding for the Gambling Control Division is from a portion of the revenues generated through licenses and permits for gambling operators, machines, and other gambling activities, as well as license fees for video gambling machine manufacturers/distributors. The revenues are deposited into the gambling license fee state special revenue account to be used for the costs related to operations of the division and other distributions. The division distributes gambling taxes assessed on the net proceeds of gambling activities and a portion of license and permit fees to counties and municipalities in which the gambling activity is located. A portion of the tax is deposited in the general fund.

In the 1995 biennium, the remaining funding for the Gambling Control Division is from the liquor enterprise proprietary fund, to support the tobacco and alcoholic beverage enforcement functions transferred from the Department of Revenue. By allowing appropriation of liquor profits directly from the enterprise fund, the general appropriation bill conflicts with statute requiring the profits to be transferred to the general fund. The Office of the Legislative Auditor recommended that the present law base budgets for the Gambling Control Division and Law Enforcement Services Division be funded from the general fund in lieu of liquor enterprise funds. The executive concurred and has requested that in lieu of liquor enterprise funds, general fund be used in the 1997 biennium. There is no net impact to the general fund, as liquor enterprise funds are deposited to the general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made

to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$87,755		\$95,195
2 Inflation/Deflation		552		1,464
3 Fixed Costs		20,558		20,993
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$50,000		\$50,000
5 Travel		15,000		15,000
6 Other Expenses		732		1,267
7 Equipment		(60,307)		(67,907)
8 Installment Purchases		0		(2,898)
<i>Total Executive Present Law Adjustments</i>	<i>0.00</i>	<i>\$114,290</i>	<i>0.00</i>	<i>\$113,114</i>

1) Personal Services - The increase is the net result of: a) the fiscal 1995 pay plan; b) vacancy savings; c) termination pay; d) increases in longevity, benefits, and insurance; and e) upgrades of 5 revenue investigator positions and upgrades/downgrades of 4 other positions, resulting in an increase of approximately \$26,000 per year. The transfer of liquor investigative functions, passed by the 1993 legislature in HB 609, included the transfer of FTE. The upgrades/downgrades are a reflection of new duties associated with this transfer to establish parity in the positions.

4) Contracted Services - The executive recommends increases of \$50,000 each year for legal fees and court costs of civil proceedings (proceedings initiated by license applicants or current licensees who appeal license denials or civil penalty assessments) and criminal prosecution.

In fiscal 1994, 75 proposed department actions (PDAs) were filed by the department. In the first 5 months of fiscal 1995, 115 PDAs have been filed. The division states the increase is a result of more investigators in the field and more violations being uncovered. Agency Legal Services (ALS) is used when workload exceeds the capacity of the division.

The division relies on the County Prosecutor Services (CPS) Bureau in the Department of Justice to prosecute these cases. In the past, the division never budgeted for CPS charges; but as the number and expense of criminal cases increase, the division has budgeted for this expense in the 1997 biennium.

5) Travel - The executive provides increases of \$15,000 each year for out-of-state travel related to license application. Out-of-state corporations applying for a gaming license must undergo the same background investigation that in-state corporations receive. The division also anticipates an increase in foreign travel related to the investigations of foreign-based companies. Two foreign trips are anticipated each year of the biennium. Costs incurred during these investigations are totally reimbursed by the applicant before a license is issued.

6) Other Expenses - A reduction in relocation costs and an increase in rent result in a net increase of \$732 in fiscal 1996 and \$1,267 in fiscal 1997.

7) Equipment - The executive provides \$77,700 for equipment in fiscal 1996 and \$70,100 in fiscal 1997 for four replacement vehicles per year, replacement of one communications pod per year, upgrades of current surveillance equipment and software, and other replacement equipment.

8) Installment Purchases - Installment payments for a photocopy machine end in fiscal 1996, for a decrease of \$2,898 in fiscal 1997.

Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 New Equipment/Vehicle	0.00	\$2,856	\$13,600	0.00	\$0	\$0
2 Migration/State 8 Yr X 2300 Sy	0.00	6,718	35,446	0.00	5,961	35,298
3 Automated Video Gambling System	0.00	0	950,000	0.00	0	0
4 New Rental Space	0.00	7,017	33,412	0.00	7,017	33,412
5 Add'tl Compliance Staff	6.00	61,511	292,909	6.00	46,076	219,409
6 Personal Services Reductions	0.00	(15,623)	(74,395)	0.00	(15,753)	(75,015)
Totals	6.00	\$62,479	\$1,250,972	6.00	\$43,301	\$213,104

Executive New Proposals

1) New Equipment/Vehicle - This request would add one new facsimile machine for the Missoula field office (\$500) and purchase one lap top computer to enable investigators to do work while on the road (\$3,000). One new vehicle is requested in fiscal 1996 to allow more division staff in the field. Department staff state that increasing license and application requests demand more travel from current staff. The executive proposes general fund would support 21 percent of this request, with state special revenue from the gambling license fee account supporting the remaining 79 percent.

2) Migration to State Computer System - The division's current computer system consists of dummy terminals tied to a local computer. This system cannot be tied into the state network. The Department of Justice, in conjunction with the Information Services Division (ISD), recommends that the division migrate toward state standards to allow networking with the state system. This would enable the division to be connected to the state computer/communication backbone allowing for electronic mail, access to the Department of Justices' docket system, and computer/communication links with the Liquor Division of the Department of Revenue. The division would purchase eight desktop PCs and related software each year.

This proposal would add: a) \$3,456 in fiscal 1996 and \$6,912 in fiscal 1997 for Department of Administration data network charges; b) \$9,986 in both years for office equipment; c) \$20,200 in fiscal 1996 and \$18,400 in fiscal 1997 for multi-user computers and terminals; and d) \$1,804 in fiscal 1996 for software.

The executive proposes funding this proposal in fiscal 1996 with 19 percent general fund and 81 percent state special revenue from the gambling license fee account. Fiscal 1997 would be funded 16.9 percent general fund, with the remainder funded with state special revenue.

3) Automated Video Gambling System - This proposal would provide a biennial appropriation of \$950,000 state special revenue including: a) \$50,000 for consultant and professional services; and b) \$900,000 for an automated video gambling system.

The Office of the Legislative Auditor (OLA) concluded in the fiscal 1994 audit that the manual video gambling machine tax system was inefficient and ineffective. The audit found that between 28.7 and 38.4 percent of the gambling establishments pay an incorrect amount of tax on video gambling machine proceeds. An additional 18 to 22 percent of other establishments could also be paying an improper amount of tax. The audit also found that as many as 24 percent of the machines in play may not meet state specifications.

The OLA recommended either: a) increasing division staff by 23 FTE; or b) implementing an automated system such as those used by the states of South Dakota and Oregon.

The division estimates that increasing staff by the number and type of FTE recommended by the OLA would cost approximately \$1.3 million the first year and \$900,000 each year thereafter. The requested \$950,000 for the biennium would be used to conduct a study to identify the best automated system for Montana's needs (\$50,000) and begin putting the system in place.

Costs of the automated system proposal would be met through current revenue projections and would not require an increase in machine permit fees. According to the department, hiring an additional 23 FTE would require raising machine permit fees by \$100 per year.

The \$950,000 would be funded from the gambling license fee state special revenue account.

LFA Issue - The division cannot furnish details as to what the \$900,000 will provide, or what the entire cost of an automated system would be, but states only that the study will supply that information. The legislature may wish to state that the department supply more detailed information on future costs of this system prior to final action on this request.

4) New Rental Space - This proposal adds \$33,412 each fiscal year for new rental space. The 1993 legislature consolidated the Department of Revenue's Investigations Bureau with the Investigation Bureau of the Gambling Control Division, adding 8.0 FTE to the division. The division will move into a new rental space in the fall of 1994. The fiscal 1994 base budget does not reflect the additional cost of the new rental space. The executive funds this proposal with 21 percent general fund, with the remainder supported with state special revenue from the gambling license fee account. The legislature did not pre-approve this move and the subsequent increased fiscal obligation.

5) Additional Compliance Staff - This proposal adds 6.0 FTE and \$292,909 in fiscal 1996 and \$219,409 in fiscal 1997. The 6.0 FTE would be used as indicated below to keep abreast of the backlog of field audits and frequency of machine inspections, and process and identify compliance problems related to quarterly reports.

a) *Field Audits* - The division's audit program had a backlog of 72 video gambling machine tax field audits at the beginning of fiscal 1993. An additional 62 audits were referred by compliance staff during fiscal 1993. The four field audit staff were able to complete only 50 of the 134 video gambling machine field audits in fiscal 1993. In addition to field audits, revenue agents are responsible for completing financial review on all new license applications (350-400 per year), perform financial follow-up on all conditional gambling licenses issued, and support the Investigation Bureau in criminal matters. The division is proposing to add 3.0 FTE revenue agents.

LFA Issue - At the current rate of completion of field audits (12.5 audits per revenue agent), 3.0 additional FTE should be able to eliminate the backlog in three years and keep up with the yearly audits. If 62 audits per year represents an average year and the current 4.0 FTE are able to perform an average of 50 audits per year, an additional 1.0 FTE

would enable the division to complete the current workload. If the legislature approves this proposal, it may wish to stipulate that 2.0 FTE are temporary for the purpose of eliminating the backlog.

b) Machine Inspections - The division currently employs one inspector. At the current rate of inspection, it would take approximately seven years to inspect all of the machines in play. Based on the division's machine inspection experience, as many as 24 percent of the machines in play may not meet state standards (the OLA audit verified these findings). The division is proposing to add one additional inspector, which would reduce the time it would take to test each machine in play from 7 years to 3.5 years.

c) Quarterly Reports - The current staffing pattern of two compliance specialists was determined in 1978 when there were 8,000 machines in play. There are now 14,500 machines in play (an 81 percent increase in sixteen years) with no increase in staffing. One additional compliance specialist is being requested to help review and process video gambling machine quarterly reports. One clerical position is requested to support the expanded audit and compliance functions (currently, 0.3 FTE is devoted to support audit and compliance).

The executive proposes general fund support of 21 percent and state special revenue from the gambling license fee account support of 79 percent.

The division states that if the automated video gambling system is approved by the legislature, the 6.0 FTE are still needed. Revenue agents will continue to be responsible for financial review and field audits, as audits will still be needed since the automated system only reports activity. Also, many of the video gambling machines in Montana are old and are not retrofitted to allow use with such a system. Compliance specialists duties would be similar to duties currently performed, with some additional tasks assigned under the system.

LFA Issue - If the legislature approves the automated video gambling system, it may wish to consider if the addition of all of the above 6.0 FTE would be needed, taking into consideration when the automated system would be operational. The January 1994 performance audit by the OLA states efforts of staff currently reviewing quarterly tax returns and associated documents, such as machine service reports and audit tickets, could be re-directed. The report also states the necessity of field audits would be reduced, since an automated system continually monitors video gambling machine activity.

6) Personal Services Reduction - The Executive Budget proposes to reduce personal services by \$74,395 in fiscal 1996 and \$75,015 in fiscal 1997. The agency plans to meet this reduction by imposing vacancy savings of 5.0 percent in fiscal years 1996 and 1997. This proposal would reduce: a) general fund by \$15,623 in fiscal 1996 and \$15,753 in fiscal 1997; and b) state special revenue by \$58,772 in fiscal 1996 and \$59,262 in fiscal 1997.

LFA Issue - The executive applies a 5.0 percent vacancy savings rate, while proposing the addition of 6.0 FTE and over \$159,000 in personal services for workload increases.

DEPARTMENT OF JUSTICE

MOTOR VEHICLE DIVISION

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	160.25	(4.65)	(2.00)	153.60	(4.65)	(2.00)	153.60	153.60
Personal Services	3,677,030	307,320	(209,538)	3,774,812	325,329	(236,784)	3,765,575	7,540,387
Operating Expenses	2,146,984	533,514	83,646	2,764,144	534,932	57,430	2,739,346	5,503,490
Equipment	117,127	8,683	0	125,810	(43,717)	0	73,410	199,220
Debt Service	145,771	(2,175)	0	143,596	(25,888)	0	119,883	263,479
Total Costs	\$6,086,912	\$847,342	(\$125,892)	\$6,808,362	\$790,656	(\$179,354)	\$6,698,214	\$13,506,576
Fund Sources								
General Fund	4,957,468	865,126	985,768	6,808,362	808,440	932,306	6,698,214	13,506,576
State/Other Special	1,111,660	0	(1,111,660)	0	0	(1,111,660)	0	0
Federal Special	17,784	(17,784)	0	0	(17,784)	0	0	0
Total Funds	\$6,086,912	\$847,342	(\$125,892)	\$6,808,362	\$790,656	(\$179,354)	\$6,698,214	\$13,506,576

Program Description

The Motor Vehicle Division (MVD) is responsible for vehicle registration and vehicle operator licensing. The Driver Services Bureau implements and administers the laws relating to the examination, issuance, cancellation, suspension, revocation, and reinstatement of drivers' licenses and driving privileges. The Registrar's Bureau provides a system for registration, titling, record keeping, and licensing of motor vehicles, vessels, and recreational vehicles.

Funding

The Motor Vehicle Division is supported primarily by general fund. The 1993 legislature replaced general fund with \$1.1 million in highway special revenue funds in fiscal 1994 and \$4.2 million in fiscal 1995. In each year of the 1997 biennium, \$1.1 million of the present law program costs are funded with highway special revenue funds; however, an executive new proposal proposes a funding switch back to general fund.

The division deposits over \$27 million in drivers' license and vehicle registration fees to the general fund each biennium, compared to approximately \$13.5 in program operating costs.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The increases are the net result of: a) fully funding the vacancy savings experienced in fiscal 1994 due to positions held open pending legislation affecting the drivers' license service stations in the November 1993 Special Session; b) a reduction of 3.65 FTE in fiscal 1995 in response to legislation passed in the November 1993 Special Session to reduce driver license service stations; c) a reduction of 1.0 FTE in fiscal 1995 due to the digitizing of records (legislation passed by the 1993 legislature); d) upgrades of 25 positions and a downgrade of 1 position; e) termination pay; and f) the 1995 pay plan.

4) Switch from Armory Computer Center (System B) to State Mainframe (System A) - Prior to January 1994, the armory computer center was the point of reference for the Criminal Justice Information Network (CJIN), storing all

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(4.65)	\$307,320	(4.65)	\$325,329
2 Inflation/Deflation		(64,918)		(69,337)
3 Fixed Costs		64,900		67,275
<i>Other Executive Present Law Adjustments</i>				
4 Switch From System B to System A		\$337,994		\$337,994
5 Contracted Services		\$188,581		\$188,879
6 Supplies & Materials		(\$32,592)		(\$32,592)
7 Communications		19,739		19,930
8 Miscellaneous Operating Expenses		19,810		22,783
9 Equipment		8,683		(43,717)
10 Installment Purchases		(2,175)		(25,888)
<i>Total Executive Present Law Adjustments</i>	<i>(4.65)</i>	<i>\$847,342</i>	<i>(4.65)</i>	<i>\$790,656</i>

records related to drivers' licenses, motor vehicles, stolen vehicles, wanted persons and criminal history. The Department of Administration (DoA) charged the Computer Services and Planning Division (CSPD) a flat fee of \$522,996 for the biennium for computer processing charges and miscellaneous information system charges. In January, 1994, the department transferred the drivers' licensing, vehicle registration, and titling computer databases to the state mainframe. The transfer was authorized by the 1993 legislature, and \$300,024 of the \$522,996 was transferred to the Motor Vehicle Division to pay for DoA mainframe charges, with an additional appropriation of \$344,741 in fiscal 1994 and \$657,819 in fiscal 1995 for the actual transfer of the databases. Table 3 shows the total 1995 biennium appropriations for the CJIN system processing charges.

Beginning in fiscal 1996, charges will be assessed based on actual costs, resulting in a net total increase of \$337,994 in both years in MVD. In MVD and CSPD, the net total increase is \$488,241 each fiscal year. Because the 1993 legislature delayed the transfer to the mainframe in fiscal 1994 to save general fund, the fiscal 1994 transfer appropriation was approximately one half of the fiscal 1995 appropriation. Consequently, the fiscal 1994 base reflects 6 months charges; therefore, the amounts requested in the 1997 biennium for computer processing charges are approximately twice fiscal 1994 expenditures (the executive provides an increase of \$466,339 each year for computer processing charges from DoA). A decrease in miscellaneous information system services from DoA of \$129,318 each year is the net result of elimination of charges for operation of the armory computer center and the estimated increase of these costs of services for the state mainframe. (CJIN has an offsetting present law adjustment increase of \$127,134 for those charges. For a further discussion, see the Computer Services and Planning Division "Executive Present Law" section.) Table 4 illustrates the actual fiscal 1994 costs and the executive fiscal 1996 and 1997 costs.

Table 3
1995 Biennium Appropriations
for System A and System B

	1994 Appropriation	1995 Appropriation
Original Flat Fee of \$522,996 for System B ¹		
<u>Transfer of MVD Databases to System A</u>		
<u>MVD Costs (System A)</u>		
Appropriation for transfer	\$344,741	\$657,849
Flat fee	300,024	300,024
3.5 percent 1993 special session cut	(4,042)	(5,611)
<u>CJIN Costs (System B)</u>		
Flat fee	\$222,972	\$222,972
Total	\$863,695	\$1,175,234

¹System B originally carried all databases. The 1993 legislature moved MVD databases to System A (mainframe).

Table 4
Costs of System A and B

	1994 Actual	1996 Requested	1996 Present Law Adj.	Total 1996	1997 Requested	1997 Present Law Adj.	Total 1997 Biennium
<u>Transfer of MVD Databases to System A</u>							
<u>MVD Costs</u>							
DofA Computer Processing Charges	\$465,366	\$466,339	\$466,339	\$932,678	\$466,339	\$466,339	\$932,678
DofA Misc. Information System Charges	131,460	2,142		2,142	2,142		\$2,142
Subtotal MVD	\$596,826	\$468,481	\$466,339	\$934,820	\$468,481	\$466,339	\$934,820
<u>Computer Services & Planning</u>							
DofA Computer Processing Charges	\$23,115	\$46,228		\$46,228	\$46,228		\$46,228
DofA Misc. Information System Charges	176,503	176,503	127,134	303,637	176,503	127,134	\$303,637
Subtotal	\$199,618	\$222,731	\$127,134	\$349,865	\$222,731	\$127,134	\$349,865
Total	\$796,444	\$691,212	\$593,473	\$1,284,685	\$691,212	\$593,473	\$1,284,685

5) Contracted Services - The executive recommends increases of \$188,581 in fiscal 1996 and \$188,879 in fiscal 1997. These increases are the net result of:

a) increases of \$6,620 each fiscal year for janitorial services. Currently, the staff clean the bureau's field stations. The agency states that due to staff reductions and increasing workloads, professional janitorial services are requested;

b) increases of \$35,978 in fiscal 1996 and \$36,176 in fiscal 1997 due to printing additional manuals and forms required for driver education students and an increase in the cost of printing the motor vehicle renewal notices. The division also will annually print 50 documents/forms that were last printed in 1993;

c) increases of \$173,186 each fiscal year for photographic services. The 1993 legislature passed a bill to establish the digitized driver licensing program and appropriated \$178,200 in fiscal 1994 and \$195,000 in fiscal 1995. The program was delayed and only \$21,814 was expended in fiscal 1994. An amount equal to the 1995 appropriation is requested by the executive;

d) decreases of \$29,090 each fiscal year in consultant and professional services. Fiscal 1994 expenditures were for the development of a one-time imaging system feasibility and development study; and

e) minor increases equal to \$1,887 in fiscal 1996 and \$1,987 in fiscal 1997.

6) Supplies and Materials - The executive requests a decrease of \$32,592 each year of the 1997 biennium. The decrease is primarily the net result of reductions for office supplies and minor equipment.

7) Communications - The executive requests an increase of \$19,739 in fiscal 1996 and \$19,930 in fiscal 1997, primarily for long distance charges. A watts line will be installed in fiscal 1995 to provide access for the 56 counties to the computer processing center in Helena to render assistance with computer and on-line access difficulties for the Title and Registration Bureau. The division relied on a watts line until September 1992 and based fiscal 1996 and 1997 projections on 1992 costs.

8) Miscellaneous Operating Expenses - The executive requests an increase of \$19,810 in fiscal 1996 and \$22,783 in fiscal 1997 for travel, rent, repairs and maintenance, and other expenses.

9) Equipment - The executive requests \$125,810 in fiscal 1996 and \$73,410 in fiscal 1997 for equipment, an increase of \$8,683 in fiscal 1996 and a decrease of \$43,717 in fiscal 1997 over the fiscal 1994 base budget. This level provides replacement office equipment for both years, 5 replacement vehicles in fiscal 1996, and 3 replacement vehicles in fiscal 1997.

10) Installment Purchases - The executive provides a reduction of \$2,175 in fiscal 1996 and \$25,888 in fiscal 1997 because of lease purchase contracts for microfilm readers and readers/printer that will expire.

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Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Relocation/Registrar's Bureau	0.00	\$111,000	\$111,000	0.00	\$60,000	\$60,000
2 MVD - Fund Switch	0.00	1,109,306	(2,354)	0.00	1,109,090	(2,570)
3 Personal Services Reductions	(2.00)	(234,538)	(234,538)	(2.00)	(236,784)	(236,784)
Totals	(2.00)	\$985,768	(\$125,892)	(2.00)	\$932,306	(\$179,354)

Executive New Proposals

1) Relocation of Registrar's Bureau - This new proposal requests general fund of \$111,000 in fiscal 1996 and \$60,000 in fiscal 1997 for rent and relocation charges. In fiscal 1994, the bureau paid \$126 for rent. The proposal requests authorization to lease a 10,000 square foot facility in Deer Lodge, at \$6.00 per square foot, for the relocation of the Title and Registration Bureau. The new proposal also includes \$51,000 in fiscal 1996 for one-time costs for moving telephone lines, data lines, records, and equipment and \$25,000 for overtime to recover from downtime. According to the department, the current facility is structurally unsound and would cost approximately \$250,000 to renovate.

2) Fund Switch - The executive proposes replacing highways special revenue funds used to fund this program in the 1995 biennium with general fund of \$1,109,306 in fiscal 1996 and \$1,109,090 in fiscal 1997. Highways special revenue funds were first used in the 1995 biennium to help resolve a general fund shortfall.

3) Personal Services Reduction - The Executive Budget proposes to reduce personal services by 2.0 FTE and \$234,538 general fund in fiscal 1996 and \$236,784 general fund in fiscal 1997. The reduction includes a vacancy savings rate of 5 percent in fiscal years 1996 and 1997. Vacancy savings was approximately 3.8 percent in fiscal 1994. The elimination of 2.0 FTE provides salary and benefit savings of \$35,320 in fiscal 1996 and \$35,433 in fiscal 1997. The positions to be eliminated are 1.0 FTE microfilm clerk I (vacant since August 1994) and 1.0 FTE administrative support (vacant since January 1994).

LFA Issue - The executive applies a 5.0 percent vacancy savings rate, while adding \$6,620 each year for janitorial services, justified on the basis that staff reductions necessitate the addition.

Elected Officials New Proposals

1) Relief/Support Staff for Driver Services - The Attorney General requests general fund of \$121,500 each year to add 4.0 FTE (three Driver Services Specialists I and an administrative assistant) to manage workload increases. Three FTE would provide relief staff to keep field offices open when staff members are sick or on annual leave. An administrative assistant in the bureau's central office is requested to help manage the increasing workload and special projects (digitized driver licensing, instituting a high-risk driver program, and studying alternative ways to license drivers and driver education students).

2) Training Coordinator Officer Workshops - The Attorney General requests funding to provide two training sessions each year for the 56 counties. The 1991 legislature mandated county automation of titling and registration. The Motor Vehicle Division would provide the training in applying the law and using the computerized systems. This proposal requests general fund of \$19,800 each fiscal year.

3) Position Review at the Title and Registration Bureau - A classification review of all positions in this bureau is being done. This review was initiated by the department to prevent a class action appeal. The review will be completed by January 1995. An estimate of the annual increase resulting from reclassification is \$35,000 each year, funded with general fund.

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DEPARTMENT OF JUSTICE				HIGHWAY PATROL DIVISION				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	270.05	0.00	10.00	280.05	0.00	10.00	280.05	280.05
Personal Services	9,655,002	158,833	(136,700)	9,677,135	204,394	(139,419)	9,719,977	19,397,112
Operating Expenses	2,513,243	569,366	215,115	3,297,724	794,566	179,555	3,487,364	6,785,088
Equipment	1,144,322	74,178	832,214	2,050,714	40,598	872,674	2,057,594	4,108,308
Total Costs	\$13,312,567	\$802,377	\$910,629	\$15,025,573	\$1,039,558	\$912,810	\$15,264,935	\$30,290,508
Fund Sources								
State/Other Special	12,696,570	686,475	(55,195)	13,327,850	995,256	(134,557)	13,557,269	26,885,119
Federal Special	615,997	115,902	965,824	1,697,723	44,302	1,047,367	1,707,666	3,405,389
Total Funds	\$13,312,567	\$802,377	\$910,629	\$15,025,573	\$1,039,558	\$912,810	\$15,264,935	\$30,290,508

Program Description

The Highway Patrol Division (HPD) is responsible for patrolling the highways in Montana, enforcing traffic laws, and investigating traffic accidents. The patrol gives assistance and information to motorists, first-aid to those injured in traffic accidents, transports blood and medical supplies in emergency situations, and assists other law enforcement agencies when requested. The patrol provides 24-hour, seven-day-a-week communication and radio dispatch for the Highway Patrol and other state agencies. The Motor Carrier Safety Assistance program (MCSAP) attempts to reduce commercial motor vehicle accidents in the state by participating in the Commercial Vehicle Safety Alliance (CVSA) and its North American Driver/Vehicle Inspection program in all levels of inspections as well as safety review audits.

Funding

The Highway Patrol Division is funded primarily by highways state special revenue funds, which comprise all of the state special revenue funds. Since these funds are also the primary source of state funds for highway construction and maintenance, funds used for highway patrol operations reduce funds available for the state transportation program.

The MCSAP program is 85 percent funded by federal funds from the U.S. Department of Transportation, with a 15 percent state match. The actual match requirement is 20 percent. However, utilizing highway patrol officers to conduct truck inspections for the federal government is used to provide 5 percent of the match required, with the remainder from highways special revenue funds.

The accident prevention unit (APU) is funded entirely by federal funds from the U.S. Department of Transportation through a grant of \$158,960 in fiscal 1996 and \$161,699 in fiscal 1997 from the Highway Traffic Safety Division. A new proposal would switch the APU funding to highways state special revenue because the federal funding will end in September 1995. Additional federal highway traffic safety grant funds would provide a portion of the support for several new proposals for equipment and additional patrol officers.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$158,833		\$204,394
2 Inflation/Deflation		27,723		63,143
3 Fixed Costs		107,184		111,649
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$260,697		\$457,289
5 Supplies		78,834		48,334
6 Communications		1,080		1,080
7 MCSAP		53,971		56,457
8 Travel		32,809		32,809
9 Rent		7,068		8,805
10 Repair & Maintenance				15,000
11 Equipment		74,178		40,598
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$802,377</u>	<u>0.00</u>	<u>\$1,039,558</u>
<i>LFA Issues With Executive PL Adjustments</i>				
5 Supplies		(\$93,811)		(\$37,838)
<i>Other LFA Present Law Issues</i>				
* Funding Switch				

1) Personal Services - The increase is primarily the net result of vacancy savings, termination pay, salary decreases, the fiscal 1995 pay plan, decreases in benefits, increases in longevity and insurance, and increases in overtime.

Increases in overtime for highway patrol operations and MCSAP are requested. An additional \$34,352 per year in special overtime is requested by the executive for the highway patrol. Special overtime is reimbursed by the hiring organization and involves utilizing uniformed personnel for DUI Task Force activities, traffic control for movies, and other emergencies. The executive provides MCSAP with an additional \$9,538 in overtime for increases in the number of strike forces for safety checks and mandated increases in covert activities.

4) Contracted Services - The executive provides an increase of \$260,697 in fiscal 1996 and \$457,289 in fiscal 1997. The majority of the increase is comprised of \$257,409 in fiscal 1996 and \$433,909 in fiscal 1997 for prisoner per diem. The per day charge for boarding prisoners in county detention centers is negotiated by contract with each county. Since 1990, costs have risen between 14 percent to 44 percent each year. Projections for 1996 and 1997 are based on an 18.0 percent increase each year. The agency made an appropriation transfer of \$174,000 from the highway patrol's fiscal 1995 appropriation to fiscal 1994 for the increase in per diem costs, and has requested a supplemental in fiscal 1995 of \$436,000.

An increase of \$3,288 each year is due to the division using the Department of Administration photocopy pool service. Until fiscal 1995, the division owned its own machine. Additional increases of approximately \$20,000 in fiscal 1997 are comprised of increases in printing costs for decals, notices to appear, and warnings. Printing occurs in the second year of the biennium.

5) Supplies - The executive provides a net increase of \$78,834 in fiscal 1996 and \$48,334 in fiscal 1997 with the majority of the increase due to gasoline prices.

The division states that there is no increase in the projected miles driven or gallons used, but that the OBPP inflation factors will not be sufficient to cover costs in the 1997 biennium.

LFA Issue - State agencies were allowed a global inflation increase for gasoline of 5.8 percent in fiscal 1996 and 14.2 percent in fiscal 1997. A 42.5 percent increase in fiscal 1996 and 40.9 percent in fiscal 1997 are provided in the Executive Budget for the highway patrol division. Adjustments for gasoline prices, other than inflation, were not requested by the Office of Budget and Program Planning in other agencies. The Governor's budget instructions to agencies directed that agency base requests not include inflation, as it was to be applied globally to all agencies.

OPTION: Reduce the appropriation for supplies by \$93,811 in fiscal 1996 and \$37,838 in fiscal 1997 to reflect inflation rates proposed in the Executive Budget for all agencies.

6) Communications - An additional \$1,080 each year is due to minor increases.

7) Motor Carrier Safety Assistance Program (MCSAP) - The executive provides increases in operating expenses of \$53,971 in fiscal 1996 and \$56,457 in fiscal 1997. The department states that an increase in federally mandated activities results in the following increases each year: a) \$5,000 for gasoline; b) \$10,198 for printing of mandated education and training aids; c) \$10,040 for long distance charges; d) \$20,557 increase in travel for mandated strike forces, inspections, and training activity; e) \$3,941 in fiscal 1996 and \$6,365 in fiscal 1997 for rent increases in Canada; and f) miscellaneous increases of \$4,235 in fiscal 1996 and \$4,297 in fiscal 1997.

8) Travel - Increases of \$32,809 are provided each year of the biennium for office subsistence in highway patrol operations as negotiated by the department in the labor contract. An increase is requested to maintain the current negotiated subsistence payments.

9) Rent - An increase of 3.0 percent (approximately \$7,000) is expected for non-DofA buildings. MHP rents office space, hangar space, radio tower sites, district and detachment office, and radio shop space.

10) Repair and Maintenance - An increase of \$15,000 is provided in fiscal 1997 for aircraft engine replacement. FAA requires aircraft engines to be replaced/rebuilt after 2,000 hours of flying time. The maximum hours will be reached in fiscal 1997.

11) Equipment - The executive provides \$1,218,500 in fiscal 1996 and \$1,184,920 in fiscal 1997 for replacement of patrol vehicles, and other equipment. In addition to this increase, the executive is requesting over \$1,700,000 in equipment over the biennium in new proposals. For a further discussion, see the "Executive New Proposals" section.

Other Issues With Executive Present Law

Fund Switch due to the Federal Crime Bill - The executive provides \$70,220 in federal grant funds to offset the same amount of highways special revenue for the training of cadets. Since the federal funds are contingent, the following language is recommended by the executive to be included in the general appropriations act:

"If the total amount of federal special revenue in item [xx] (Highway Patrol Cadets) is not received by the department, the federal special revenue appropriation in item xx must be decreased or deleted by an amount up to \$70,220, and the state special revenue appropriation must be increased by the same amount as the federal special revenue appropriation is decreased."

Language Appropriation - The executive also recommends the following language in the general appropriations act.

"The department is authorized to transfer the retirement contributions provided in sections 19-6-404 and 61-5-121(1)(a), MCA, in fiscal year 1996 and 1997 from the highway patrol retirement clearing account in the state special revenue fund to the Montana highway patrol officers' retirement pension trust fund. An appropriation must be established each year in the amount required to be transferred up to the amount of \$650,000."

If the executive requires additional authority to fulfill statutory obligations, additional authority should be requested as a new proposal to be considered and appropriated by the legislature in the general Appropriations Act.

If the executive requires additional authority to fulfill statutory obligations, additional authority should be requested as a new proposal to be considered and appropriated in the general appropriations act.

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Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 In-Car Automation/Supp Panels	0.00	\$0	\$622,674	0.00	\$0	\$872,674
2 Rent/Ammo/Training	0.00	0	32,585	0.00	0	25,085
3 APU - Fund Switch	0.00	0	0	0.00	0	0
4 New Patrol Officers	10.00	0	634,191	10.00	0	397,801
5 Legislative Contract Authority	0.00	0	100,000	0.00	0	100,000
6 Personal Services Reductions	0.00	0	(478,821)	0.00	0	(482,750)
Totals	10.00	\$0	\$910,629	10.00	\$0	\$912,810

Executive New Proposals

1) In-Car Automation and Suppression Panels - In fiscal 1996, this proposal includes the purchase of: a) suppression panels for half of the radio repeater sites (\$22,374); and b) 150 in-car video cameras (\$600,000). In fiscal 1997, the proposal includes funds for: a) the remainder of the suppressions panels for radio repeater sites; b) 200 in-car laptop computers (\$600,000); and c) 200 in-car global position system (GPS) units which will provide exact location of an accident for accident records (\$180,000).

This proposal would be supported by: a) \$600,00 in fiscal 1996 and \$780,000 in fiscal 1997 from Highway Traffic Safety grants, which are a reallocation of federal highways funds from the Department of Transportation (due to the lack of a Montana motorcycle helmet law); b) highway special revenue funds of \$20,719 in fiscal 1996 and \$31,219 in fiscal 1997; and c) MCSAP federal truck inspection program funds of \$1,955 in fiscal 1996 and \$61,455 in fiscal 1997.

2) Rent/Ammo/Training - The executive requests \$32,585 in fiscal 1996 and \$25,085 in fiscal 1997 for the following purposes:

- a) Rent - the HPD is proposing to rent a larger office at \$7.50 per square foot. An additional \$23,670 each year of the biennium would be needed over the current rental costs. Relocation costs of \$2,500 have been added for fiscal 1996;
- b) Building Maintenance - \$4,555 is added for the maintenance of the Glendive district office in fiscal 1996;
- c) Training - \$1,860 in fiscal 1996 and \$1,415 in fiscal 1997 would provide meals for officers attending Police Vehicle Operator (PVO) training.

This proposal would be funded with highways special revenue.

3) Accident Prevention Unit Fund Switch - In the past, National Highway Traffic Safety has funded a large portion of this unit. This funding will end September 30, 1995 and the executive is proposing to replace lost federal funds with highways state special revenue. Because the federal fiscal year ends September 1995, 25 percent or approximately \$40,000 of the fiscal 1996 amount will be covered by the final quarter of the federal grant.

LFA Issue - A primary objective of the APU is to maintain Montana's compliance with federal speed limit regulations. The federal government mandated the speed limit and has provided funding for the APU for several years to ensure compliance. Although the mandated speed limit remains, funding for compliance is being withdrawn.

4) New Patrol Officers - The executive requests 10.0 FTE new patrol officers at a cost of \$634,191 in fiscal 1996 and \$397,801 in fiscal 1997. Costs are higher the first year due to the purchase of equipment and supplies for the officers. A federal grant from Highway Traffic Safety is expected to support 7.0 FTE in the 1997 biennium. The grant will provide \$438,151 in fiscal 1996 and \$283,059 in fiscal 1997. The remaining costs will be funded with highways state special revenue.

LFA Issue - Ongoing costs of the 7.0 FTE funded with the federal grant total \$283,059 per year. The grant monies are a reallocation of federal highway funds from the Department of Transportation, a result of Montana not having a motorcycle helmet law. If Montana enacts such a law and these federal funds are no longer available (normally after three years), the state would have to terminate these position or find an alternate funding source. The executive recommends the HPD be funded by general fund in the 1999 biennium. For a summation of all funds being allocated to this department from this reallocation, see the agency section. The reallocation is discussed in more comprehensive detail in the Highway Traffic Safety Division.

5) Legislative Contract Authority (LCA) - The executive provides \$100,000 each year for LCA. For a further discussion, see the agency "Other LFA Issues" section.

6) Personal Services Reduction - The Executive Budget proposes to reduce personal services by \$478,821 in fiscal 1996 and \$482,750 in fiscal 1997. The agency plans to meet this reduction by imposing vacancy savings of 4.9 percent in fiscal 1996 and 1997. Vacancy savings was approximately 1.2 percent in fiscal 1994. This savings would result in a yearly reduction of over \$460,000 in highways state special revenue funds and \$15,000 in federal funds.

LFA Issue - The executive applies a 4.9 percent vacancy savings rate, while proposing the addition of 10 new patrol officers (or over \$340,000 in personal services) and over \$177,000 for overtime expenses.

DEPARTMENT OF JUSTICE

LAW ENFORCEMENT SERVICES DIV

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	55.00	0.50	0.00	55.50	0.50	0.00	55.50	55.50
Personal Services	1,640,410	270,184	(95,530)	1,815,064	278,873	(96,612)	1,822,671	3,637,735
Operating Expenses	857,888	109,477	150,000	1,117,365	114,584	150,000	1,122,472	2,239,837
Equipment	253,419	(190,819)	32,800	95,400	(202,619)	0	50,800	146,200
Debt Service	120,098	61	0	120,159	61	0	120,159	240,318
Total Costs	\$2,871,815	\$188,903	\$87,270	\$3,147,988	\$190,899	\$53,388	\$3,116,102	\$6,264,090
Fund Sources								
General Fund	1,599,762	255,964	(51,626)	1,804,100	259,442	291,202	2,150,406	3,954,506
State/Other Special	339,762	64,699	(1,167)	403,294	62,604	(12,237)	390,129	793,423
Federal Special	860,554	(60,023)	140,063	940,594	(59,410)	(225,577)	575,567	1,516,161
Proprietary	71,737	(71,737)	0	0	(71,737)	0	0	0
Total Funds	\$2,871,815	\$188,903	\$87,270	\$3,147,988	\$190,899	\$53,388	\$3,116,102	\$6,264,090

Program Description

The Law Enforcement Services Division includes the administration, management, and coordination of a broad spectrum of criminal investigative services performed by the Criminal Investigation Bureau, Identification Bureau, and Fire Prevention and Investigation Bureau. Criminal investigators conduct criminal investigations of homicide, fraud, robbery, assault, corruption, arson, organized crime, dangerous drug activity, and other felony crimes. The program activity includes conducting criminal investigations of state agencies and providing investigative training to law enforcement officers. The division emphasizes providing adequate specialized drug enforcement resources to address drug abuse and drug trafficking in Montana. The division also has specialized criminal investigation units for workers' compensation fraud investigation and for public assistance fraud investigation. The Fire Prevention and Investigation Bureau is responsible for safeguarding life and property from fire, explosion, and arson through investigative, inspection, and fire code interpretation and enforcement functions.

Funding

Table 5 provides a breakdown of executive funding for this division by function and fund source. The Fire Prevention and Investigation Unit is funded 89.2 percent by general fund and 10.8 percent state special revenue funds to support the Fire Protection Equipment Licensing Program (and 2.0 FTE associated with the program), passed by the 1993 legislature. The state special revenue funds are derived from licensing and endorsement fees.

The Identification Bureau operations are funded in fiscal 1996 by 45.1 percent general fund and 54.9 percent federal funds (\$201,600 in Board of Crime Control federal grants and \$158,400 in federal forfeiture funds for the Automated Fingerprint Identification System (AFIS)). In fiscal 1997, the executive recommends this bureau be 100 percent general fund. The executive includes a new proposal to fund AFIS with 100 percent general fund in fiscal 1997 because federal funding ends in fiscal 1996. For a further discussion, see the "Executive New Proposals" section.

The Criminal Investigation Bureau is funded 50.0 percent by general fund, 33.3 percent state special revenue funds, and 16.7 percent federal funds. Workers' compensation state special revenue funds the workers' compensation fraud investigation and prosecution unit. In the past, this bureau received liquor enterprise funds. Proprietary funds from the liquor enterprise fund supported the 50.0 percent match required for the federal funds for the public assistance investigation function in the 1995 biennium. The Office of the Legislative Auditor recommended that the present law base budgets for the Law Enforcement Services Division be funded from the general fund in lieu of liquor enterprise

funds. The executive concurred and has requested that in lieu of liquor enterprise funds, general funds of \$167,202 be used in fiscal 1996 and \$166,057 in fiscal 1997.

The Narcotics Investigation Bureau is funded with 63.7 percent general fund and 36.3 percent federal funds. General fund provides a 26.0 percent match for the federal grant funding of the western drug enforcement task force, and funds 100 percent of the eastern drug enforcement task force.

The executive personal services reduction would reduce general fund by approximately 3.0 percent, state special revenue by 3.0 percent, and federal funds by 1.6 percent. The executive new proposal for Legislative Contract Authority (LCA) includes an additional \$150,000 each year in federal funds. For a further discussion, see "Other LFA Issues" section.

Table 5
Funding of Law Enforcement Services Division

	-- General Fund --		State Special Revenue		-- Federal Funds --		Proprietary Funds		Biennium
	1996	1997	1996	1997	1996	1997	1996	1997	Total
Fire Prevention & Investigation	\$578,362	\$581,866	\$70,057	\$70,252					\$1,300,537
Identification Bureau	\$295,592	\$296,644			\$360,000	\$360,000			1,312,236
New Proposal - AFIS Fund Switch		360,000				(360,000)			0
Subtotal	\$295,592	\$656,644	\$0	\$0	\$360,000	\$0	\$0	\$0	\$1,312,236
Criminal Investigation	\$334,404	\$332,114	\$334,404	\$332,114	\$167,202	\$166,057	\$167,202	\$166,057	\$1,999,554
Present Law Adj. - Liquor Fund Switch	167,202	166,057					(167,513)	(166,397)	(651)
New Proposals - Equipment	16,400		10,933		5,467				32,800
Subtotal	\$518,006	\$498,171	\$345,337	\$332,114	\$172,669	\$166,057	(\$311)	(\$340)	\$2,031,703
Narcotics Investigation	\$480,477	\$482,863			\$273,329	\$275,087			\$1,511,756
Division-Wide									
New Proposal - LCA					\$150,000	\$150,000			\$300,000
New Proposal - Per. Serv. Reduction	(68,026)	(68,798)	(12,100)	(12,237)	(15,404)	(15,577)			(192,142)
Subtotal	(\$68,026)	(\$68,798)	(\$12,100)	(\$12,237)	\$134,596	\$134,423	\$0	\$0	\$107,858
Total	\$1,804,411	\$2,150,746	\$403,294	\$390,129	\$940,594	\$575,567	(\$311)	(\$340)	\$6,264,090

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The increase is the net result of the 1995 pay plan, termination pay, and increases in insurance, benefits, and longevity. Other personal services increases are discussed in the items below.

4) Fire Protection Equipment Licensing Program (HB 222) - HB 222 was passed by the 1993 legislature for the regulation of fire protection equipment dealers. The executive requests increases of \$111,461 in fiscal 1996 and \$113,422 in fiscal 1997 for personal services. Increases in operating expenses of \$25,797 in fiscal 1996 and \$26,591 in fiscal 1997 are requested for increased responsibilities associated with HB 222 and for annualization of costs associated with hiring 2.0 FTE for regulating fire protection equipment dealers. The FTE were not hired until late fiscal 1994, resulting in lower operating costs and significant vacancy savings in the base year. Annualized amounts for HB 222 equal half of the requested increase in personal services and operating expenses.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	0.50	\$772	0.50	\$4,079
2 Inflation/Deflation		1,820		4,942
3 Fixed Costs		44,749		44,526
<i>Other Executive Present Law Adjustments</i>				
4 Fire Protection Equipment Licensing Program		\$81,682		\$84,437
5 Identification Bureau		(21,558)		(21,558)
6 Workload Increase - CIB and NIB		81,377		74,412
7 Other		61		61
<i>Total Executive Present Law Adjustments</i>	<i>0.50</i>	<i>\$188,903</i>	<i>0.50</i>	<i>\$190,899</i>

No expenditures are budgeted for equipment in fiscal 1996 or 1997, which results in a \$55,576 decrease each fiscal year.

5) Identification Bureau - The executive recommends increases in operating expenses of \$11,717 in both years for this bureau due to workload. Use of the Automated Fingerprint Identification System (AFIS) has resulted in increases in the level of reporting and fingerprint submissions. In addition, many federal programs require criminal history records to be more complete with the goal of recording all arrests and dispositions on the system. Finally, the bureau provides training at the local level to improve the quality of criminal information, dispositions and fingerprint images.

No expenditures are budgeted for equipment in fiscal 1996 or 1997, which results in a \$33,275 decrease each year.

See the Executive New Proposals for a discussion of the funding switch for AFIS.

6) Workload Increase of the Criminal Investigation Bureau (CIB) and Narcotics Investigation Bureau (NIB) - The 1993 legislature gave the CIB investigative responsibility for workers' compensation and welfare fraud. Three of the FTE related to these new functions were not hired until late 1993. The executive requests increases for annualization of costs associated with these FTE (personal services increases of \$157,951 in fiscal 1996 and \$161,372 in fiscal 1997 and operating expense increases of \$24,238 in fiscal 1996 and \$25,084 in fiscal 1997). During fiscal 1994, the bureau's caseload increased from a previous high of 52 cases to 343.

The Eastern Counties Drug Task Force expanded the counties it serves from 9 to 26 in fiscal 1994. This expansion has resulted in a 15 percent increase in service requests. The executive requests increases in operating expenses of \$1,156 in fiscal 1996 and \$1,724 in fiscal 1997.

The executive requests \$62,600 in fiscal 1996 and \$50,800 in fiscal 1997 for replacement vehicles and law enforcement equipment, decreases over the base year of \$101,968 in fiscal 1996 and \$113,768 in fiscal 1997.

See the "Executive New Proposals" section for a discussion of the funding switch for the public assistance investigation function.

4110 18 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 AFIS - Fund Switch	0.00	\$0	\$0	0.00	\$360,000	\$0
2 LANS/Body Wire/Radios	0.00	16,400	32,800	0.00	0	0
3 Legislative Contract Authority	0.00	0	150,000	0.00	0	150,000
4 Personal Services Reductions	0.00	(68,026)	(95,530)	0.00	(68,798)	(96,612)
Totals	0.00	(\$51,626)	\$87,270	0.00	\$291,202	\$53,388

Executive New Proposals

1) Automated Fingerprint Identification System (AFIS) Fund Switch - AFIS is a high technology computer that stores, searches, and retrieves fingerprint images. These images can then be compared against incoming criminal and civil fingerprint identification cards or against crime scene latent fingerprints. Prior to AFIS, this comparison was done manually.

AFIS is currently funded with federal grant funds and matched with federal drug forfeiture funds. Federal grant funds will end September 10, 1995. In fiscal 1997, this proposal requests \$360,000 in general fund to replace the federal funding sources.

2) New Equipment - This new proposal would add local area networks (LANs) in the Great Falls and Kalispell offices to complete the division's computerization project for a cost of \$16,500. LANs provide state standards and communication services and enable users to share printers and hardware/software resources in consolidated offices. These networks also allow electronic transportation of documents to other users on the statewide network.

The executive also requests 3 two-way radios (\$6,300), and one bodywire (\$10,000).

General fund would provide 50.0 percent of the funds, state special revenue would provide 33.3 percent, and federal funds would provide the balance of 16.7 percent.

3) Legislative Contract Authority (LCA) - The executive provides \$150,000 each year for LCA. For a further discussion, see the agency "Other LFA Issues" section.

4) Personal Services Reduction - The Executive Budget proposes to reduce personal services by \$95,530 in fiscal 1996 and \$96,612 in fiscal 1997. The agency plans to meet this reduction by imposing vacancy savings of 5.0 percent in fiscal 1996 and 1997. Vacancy savings was approximately 8.7 percent in fiscal 1994 primarily due to late hires. This savings would result in a yearly reduction of over: a) \$68,000 in general fund; b) \$12,100 in state special revenue funds; and c) \$15,400 in federal funds.

LFA Issue - The executive imposes a 5.0 percent vacancy savings rate, while making additions in the Identification, Criminal Investigation, and Narcotics Investigation Bureaus due to increases in workload.

Language - The department requests that language similar to what was included in the 1993 general appropriations act be considered for inclusion in the current biennium's general appropriations act.

"The department is authorized to request a budget amendment for the rural statewide intelligence network if federal grant funds become available during the 1997 biennium."

LFA Issue - The department may request a budget amendment for any funds and circumstances that meet statutory budget amendment criteria. If the addition does not meet the criteria, language in the general appropriation act will not supersede substantive budget amendment law. Therefore, the language will have no impact on whether a budget amendment can be sought.

Note - The executive includes a new proposal for the Department of Social and Rehabilitation Services (SRS) for \$400,000 each year of the biennium (25 percent general fund, 75 percent public welfare federal funds) for transfer authority to the Department of Justice, Law Enforcement Services Division, for medicaid fraud investigation. If the legislature approves this proposal, SRS requests language be included which allows the Department of Justice the latitude to establish FTE if they are found to be more cost effective than contracted services.

Elected Officials New Proposals

1) Brady Law Working Group - The Brady Law working group recently completed a review of the federal mandates associated with the new fire arms purchase background check law in Montana. Compliance with these mandates will require short- and long-term costs. This request addresses the short-term costs of developing a centralized background check system, which includes: a) a state-operated central office with a 1-800 number for gun sellers only; and b) very limited programming tasks associated with making the current CJIN system efficient for a central staff conducting Brady checks. This proposal requests 5.0 FTE and federal funds of \$190,430 in fiscal 1996 and \$151,480 in fiscal 1997.

2) Continuation of Narcotics Agent - The department requests \$39,000 (74 percent federal fund and 26 percent general fund) each year to support one narcotics agent that was added by budget amendment in the 1995 biennium to the Narcotics Investigation Bureau in the western region. The position was funded by federal grant monies received from the Montana Board of Crime Control to assist local law enforcement agencies in drug investigations.

LFA Issue - When the agency requested approval of this budget amendment, it stated that "no increased general fund is committed to this process if the budget amendment is approved." Section 17-7-402, MCA, states budget amendments may not make commitments for any present or future increased general fund support. The agency is requesting 100 percent general fund support for this position.

4110 19 00000								
DEPARTMENT OF JUSTICE			COUNTY ATTORNEY PAYROLL					
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	20.40	0.00	0.00	20.40	0.00	0.00	20.40	20.40
Personal Services	1,329,903	113,962	0	1,443,865	150,460	0	1,480,363	2,924,228
Total Costs	\$1,329,903	\$113,962	\$0	\$1,443,865	\$150,460	\$0	\$1,480,363	\$2,924,228
<u>Fund Sources</u>								
General Fund	1,329,903	113,962	0	1,443,865	150,460	0	1,480,363	2,924,228
Total Funds	\$1,329,903	\$113,962	\$0	\$1,443,865	\$150,460	\$0	\$1,480,363	\$2,924,228

Program Description

The County Attorney Payroll program pays one-half the salary and benefits of the 56 county attorneys from the state general fund, as required by section 7-4-2502, MCA.

Funding

The County Attorney Payroll Program is supported entirely by general fund.

Current law allows counties to grant cost-of-living increases to county attorneys of up to 100 percent of the previous year's consumer price index (CPI). The 1997 biennium Executive Budget includes funding for cost-of-living increases for all of the counties, using an estimated consumer price index increase of 3 percent in fiscal years 1996 and 1997. In fiscal 1995, 51 of the 56 counties increased the county attorney salaries by the allowed CPI increase.

The overall increase is greater than 8.0 percent. This increase exceeds the cost-of-living increase primarily because only 37 counties received the cost-of-living increase in fiscal 1994. In fiscal 1995, 51 counties received the increase. The 1997 biennium includes cost-of-living increases for all 56 counties.

No funds are included for potential additional changes from part-time to full-time positions, increased health insurance reimbursement claims, or other statutorily-allowed increases that counties might exercise during the 1997 biennium. The 1993 legislature passed HB 474 requiring that biennial budget information submitted by the Department of Justice include complete information concerning the state's share of county attorney salaries. The bill provides that a county is responsible for any increase in salary if it fails to provide the necessary information to the department in time to be included in the state budget process.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - Increases of \$113,962 (8.6 percent) in fiscal 1996 and \$150,460 (11.3 percent) in fiscal 1997 are the net result of fully funding all positions, and an increase of 3 percent in cost-of-living adjustments.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$113,962		\$150,460
2 Inflation/Deflation				
3 Fixed Costs				
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$113,962</u>	<u>0.00</u>	<u>\$150,460</u>

4110 22 00000

DEPARTMENT OF JUSTICE				LAW ENFORCEMENT ACADEMY DIV				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	10.50	0.00	0.00	10.50	0.00	0.00	10.50	10.50
Personal Services	386,346	80	(11,895)	374,531	2,184	(11,987)	376,543	751,074
Operating Expenses	256,192	94,875	54,480	405,547	100,657	55,000	411,849	817,396
Equipment	1,905	(5)	12,000	13,900	(5)	2,000	3,900	17,800
Debt Service	3,720	612	0	4,332	612	0	4,332	8,664
Total Costs	\$648,163	\$95,562	\$54,585	\$798,310	\$103,448	\$45,013	\$796,624	\$1,594,934
Fund Sources								
General Fund	648,163	13,792	8,105	670,060	18,938	8,013	675,114	1,345,174
Federal Special	0	81,770	46,480	128,250	84,510	37,000	121,510	249,760
Total Funds	\$648,163	\$95,562	\$54,585	\$798,310	\$103,448	\$45,013	\$796,624	\$1,594,934

Program Description

The Law Enforcement Academy Division provides a professional education and training program in criminal justice for Montana law enforcement officers and other criminal justice personnel. The academy, at its campus in Bozeman, provides an annual curriculum specifically designed to meet the needs of the criminal and juvenile justice system.

Funding

The Law Enforcement Academy is funded primarily with general fund, with some federal grant monies. The academy charges tuition for certain classes, particularly specialized courses. All tuition fees are deposited in the general fund. Deposits totaled \$120,904 in fiscal 1994.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - Increases are the net result of expenditures in fiscal 1994 exceeding the fiscal 1994 appropriation due to a termination payout, the fiscal 1995 pay plan, salary increases, and increases in longevity and insurance.

4) Contracted Services - The executive requests increases of \$16,908 in fiscal 1996 and \$19,648 in fiscal 1997. The majority of the adjustment is for increased meal costs and an increase in the contract instructor rate.

Most meals are served to academy students at the Montana State University (MSU) cafeteria. The current appropriation for meals (\$13.35 per day) is based on 1990 MSU rates. In fiscal 1996, the rate will increase to \$15.75 per day.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$80		\$2,184
2 Inflation/Deflation		4,099		7,106
3 Fixed Costs		6,101		6,136
<i>Other Executive Present Law Adjustments</i>				
4 Contracted Services		\$16,908		\$19,648
5 Rent		65,870		65,870
6 Miscellaneous Adjustments		2,504		2,504
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$95,562</u>	<u>0.00</u>	<u>\$103,448</u>
<i>LFA Issues With Executive PL Adjustments</i>				
5 Rent				
<i>Other LFA Present Law Issues</i>				
* Federal Crime Bill				

Contract instructors are hired to teach specialized courses at the academy. The academy has increased the percentage of basic training taught by in-house staff from 29 percent in 1989 to approximately 70 percent in fiscal 1994. Specialists are still required to teach intensive practical training assignments. These instructors are typically senior police officers, attorneys, technicians, actors and other professionals and have been paid \$10 per hour since 1986. This adjustment increases the current rate to \$12 per hour in fiscal 1996 and \$12.50 per hour in fiscal 1997.

5) Rent - The executive recommends an increase of \$65,870 each fiscal year over fiscal 1994 actual expenditures for leasing/renting additional space for classrooms and training areas. The 1993 legislature appropriated \$97,640 in fiscal 1994 and \$104,500 in fiscal 1997 to remodel a portion of the academy and to lease additional space from Gallatin County. The legislature recognized that the remodeling charges would be a one-time expense, with the additional leased space being an on-going annual expense of \$59,500. In the November 1993 Special Session, the legislature reduced the general fund appropriations by the \$59,500, delaying the space expansion.

The academy intended to rent a portion of a new building that Gallatin County planned to build. In November 1994, the bond issue to construct the proposed building failed. The academy plans to lease modular units to provide space in the interim until a decision is made for the location of the academy. The executive proposes a new law enforcement complex, in Helena, using several of the Mountain View buildings, which would house the Law Enforcement Academy and an expanded state Crime Laboratory/DNA Testing Center. For a further discussion of this proposal, see the "Long Range Planning" section F.

6) Miscellaneous Adjustments - The executive provides an increase of \$2,504 in each fiscal year, which is the net result of minor adjustments in supplies and materials, repair and maintenance, equipment, and installment purchases.

Other Issues With Executive Present Law

Federal Crime Bill - In present law, the executive has proposed the use of over \$80,000 in federal grants for each year to replace a like amount of state funding to provide training and testing of new police officers. At this time, the academy has not been notified of receipt of any federal grant monies. To address the contingent nature of the funds, the executive proposes the following language be included in the general appropriations act.

"If the total amount of federal special revenue in item [xx] is not received by the department, the federal special revenue appropriation in item xx must be decreased and the general fund appropriation must be increased by the same amount as the federal special revenue appropriation is decreased."

4110 22 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Central Testing Equipment			\$12,000			\$2,000
2 Increase Basic School Students			24,480			25,000
3 Spending Authority/Uniforms		18,000	18,000		18,000	18,000
4 Reinstate Coroner Training		2,000	2,000		2,000	2,000
5 Personal Services Reductions		(11,895)	(11,895)		(11,987)	(11,987)
6 Legislative Contract Authority			10,000			10,000
Totals		\$8,105	\$54,585		\$8,013	\$45,013

Executive New Proposals

1) Central Testing Equipment - This proposal would provide centralized entry level police testing at the academy and would register certified scores for a two-year period. Currently, local law enforcement agencies administer 2,000 tests annually to police officer candidates. Test grading equipment and computer software would be required to coordinate and implement centralized testing. A fee would be charged for taking the test, which would be deposited to the general fund. This proposal would be supported with federal grant monies.

2) Increase Basic School Students - This proposal would add four students to each Basic Course during fiscal years 1996 and 1997, training an additional 16 students each year. The increased demand for new officers is due to: a) veteran officers moving into specialized units; b) new federal programs promising more police officers on the street; and c) a large percentage of Montana's current police officers reaching eligibility for retirement. Use of the allocated funds would be contingent upon rates of attendance and the length of the waiting period for admission to a basic school. No funding would be used if the level of attendance for a course did not exceed 28 (which is the amount currently funded per basic school).

Adding four students to each of the four Basic Schools held annually would generate \$13,025 in fees which would be deposited to the general fund.

This proposal would be supported with federal grant monies.

3) Spending Authority for Uniforms - This proposal would provide authority to purchase uniforms for recruits and to facilitate specialized workshops and training seminars. In the past, the purchase of uniforms was handled off-budget through the alumni fund. The Office of the Legislative Auditor recommended that these transactions be

recorded on the Statewide Budgeting and Accounting System. This increase would be offset by fees generated for training, which will be deposited to the general fund.

4) Reinstate Coroners Training - By state law, the Attorney General is required to conduct a Basic Coroners Course each election year and an Advanced Coroners Course every year. The cost of the basic course is \$4,125 and the advanced course is \$956. Since the basic course is offered during the second year of the biennium, associated costs are never captured as base expenditures. The executive provides an additional \$2,000 each year to fund the required coroners programs.

This proposal would be supported by general fund.

5) Personal Services Reductions - The executive proposes to reduce personal services by \$11,895 in fiscal 1996 and \$11,897 in fiscal 1997. The agency plans to meet this reduction by imposing vacancy savings of 3.4 percent in fiscal 1996 and 1997. Vacancy savings was approximately 4.3 percent in fiscal 1994.

6) Legislative Contract Authority (LCA) - The executive provides \$10,000 each year for LCA. For a further discussion, see agency "Other LFA Issues".

DEPARTMENT OF JUSTICE
Program Summary

CENTRAL SERVICES DIVISION

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	350,286	536	(17,484)	333,338	2,239	(17,607)	334,918	668,256
Operating Expenses	156,207	(42,336)	0	113,871	(90,207)	0	66,000	179,871
Equipment	4,730	(730)	0	4,000	(730)	0	4,000	8,000
Total Costs	\$511,223	(\$42,530)	(\$17,484)	\$451,209	(\$88,698)	(\$17,607)	\$404,918	\$856,127
Fund Sources								
General Fund	248,055	(46,546)	10,135	211,644	(66,644)	8,281	189,692	401,336
State/Other Special	253,353	4,456	(27,269)	230,540	(20,699)	(25,536)	207,118	437,658
Proprietary	9,815	(440)	(350)	9,025	(1,355)	(352)	8,108	17,133
Total Funds	\$511,223	(\$42,530)	(\$17,484)	\$451,209	(\$88,698)	(\$17,607)	\$404,918	\$856,127

Program Description

The Central Services Division provides the administrative, personnel, budgetary, accounting, and fiscal support for the Department of Justice. The program also administers the County Attorney Payroll and Transportation of Prisoners program expenditures.

Funding

The Central Services Division operations are supported by a direct allocation from the four major funds that support the Department of Justice in proportion to their total budgeted costs. Funding for the division's present law operations in the 1997 biennium includes: 1) general fund of \$201,509 in fiscal 1996 and \$181,411 in fiscal 1997, or 43.0 percent; 2) gambling license fees state special revenue of \$28,125 in fiscal 1996 and \$24,380 in fiscal 1997, or 6.0 percent; 3) highways special revenue of \$229,684 in fiscal 1996 and \$207,274 in fiscal 1997, or 49.0 percent; and 4) \$9,375 in fiscal 1996 and \$8,460 in fiscal 1997, or 2.0 percent, from the agency legal services proprietary account.

The executive's proposed funding switch and reduction in personal services in new proposals would: a) increase general fund support by \$10,135 in fiscal 1996 and \$8,281 in fiscal 1997; b) reduce gambling license fee support by \$1,049 in fiscal 1996 and \$1,056 in fiscal 1997; c) reduce highways special revenue by \$26,220 in fiscal 1996 and \$24,480 in fiscal 1997; and d) reduce agency legal services proprietary account by \$350 in fiscal 1996 and \$352 in fiscal 1997.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The increase is the net result of the fiscal 1995 pay plan, vacancy savings, and elimination of termination pay in fiscal 1994.

2) Inflation/Deflation and 3) Fixed Costs - Fixed costs decrease by \$50,376 in fiscal 1996 and \$98,357 in fiscal 1997 primarily because in fiscal 1994, this division paid a majority of the insurance and bonds fixed cost. Those costs are allocated to the other programs in the 1997 biennium executive recommendation.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$536		\$2,239
2 Inflation/Deflation		174		284
3 Fixed Costs		(50,376)		(98,357)
<i>Other Executive Present Law Adjustments</i>				
4 Operating Expenses		\$7,866		\$7,866
5 Equipment		(730)		(730)
<i>Total Executive Present Law Adjustments</i>	0.00	(\$42,530)	0.00	(\$88,698)

4) Operating Expenses - Increases of \$7,866 each fiscal year are requested to annualize operating costs of the D.A.R.E. coordinator position, which was only filled for one month in fiscal 1994.

5) Equipment - The executive provides \$4,000 for equipment in each year of the biennium, a decrease of \$730 over fiscal 1994. These funds will provide replacement for 2 personal computers per year.

4110 28 00000

Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Inter. Cost Alloc't Fund Switch	0.00	\$17,653	\$0	0.00	\$15,852	\$0
2 Personal Services Reductions	0.00	(7,518)	(17,484)	0.00	(7,571)	(17,607)
Totals	0.00	\$10,135	(\$17,484)	0.00	\$8,281	(\$17,607)

Executive New Proposals

1) Fund Switch - The executive proposes to replace highways special revenue funds of \$17,653 in fiscal 1996 and \$15,852 in fiscal 1997 with general fund. This is the result of corresponding funding switches of highways special revenue funding with general fund in the Motor Vehicle Division and Legal Services Division programs, which are requested as new proposals in these programs. For a further discussion, see the "Executive New Proposals" section in these two programs.

2) Personal Services Reductions - The Executive Budget proposes to reduce personal services by \$17,484 in fiscal 1996 and \$17,607 in fiscal 1997. The agency plans to meet this reduction by imposing vacancy savings of 5.0 percent in fiscal years 1996 and 1997. Vacancy savings was approximately 4.3 percent in fiscal 1994.

4110 29 00000								
DEPARTMENT OF JUSTICE				COMPUTER SERV & PLAN DIVISION				
Program Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	24.00	0.00	2.00	26.00	0.00	2.00	26.00	26.00
Personal Services	685,412	115,873	13,972	815,257	119,807	13,859	819,078	1,634,335
Operating Expenses	423,107	151,406	2,592	577,105	153,681	4,320	581,108	1,158,213
Equipment	63,801	(47,321)	29,918	46,398	(52,113)	147,032	158,720	205,118
Debt Service	34,122	(952)	0	33,170	(952)	0	33,170	66,340
Total Costs	\$1,206,442	\$219,006	\$46,482	\$1,471,930	\$220,423	\$165,211	\$1,592,076	\$3,064,006
Fund Sources								
General Fund	931,074	109,993	(2,577)	1,038,490	111,410	(3,265)	1,039,219	2,077,709
State/Other Special	275,368	109,013	49,059	433,440	109,013	105,476	489,857	923,297
Federal Special	0	0	0	0	0	63,000	63,000	63,000
Total Funds	\$1,206,442	\$219,006	\$46,482	\$1,471,930	\$220,423	\$165,211	\$1,592,076	\$3,064,006

Program Description

The Computer Services and Planning Division provides a full range of automated data processing and telecommunication services for the Department of Justice, including: 1) system development and maintenance of the motor vehicle registration system; 2) driver history system; 3) criminal history record information system and the Montana Uniform Crime Reporting System; 4) computer operator support for the Department of Justice computer system; and 5) system development and support for the Criminal Justice Information Network (CJIN). CJIN links law enforcement/criminal justice agencies with information sources at local, state, and national levels by interfacing with the National Law Enforcement Telecommunications System, the National Crime Information Center (NCIC), and numerous state of Montana files.

Funding

Operating costs of the CJIN network are partially supported by the CJIN state special revenue account, which receives revenue from fees charged to user agencies. The balance of the Computer Services and Planning Division is supported by general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - Increases of \$115,873 in fiscal 1996 and \$119,807 in fiscal 1997 are the net result of significant vacancy savings, the elimination of fiscal 1994 termination pay, the fiscal 1995 pay plan, and increases in insurance and benefits.

In addition, \$4,000 in overtime is recommended each year. The CJIN system is operational 24 hour-a-day, 7 days-a-week. Two staff are on-call at all times to support these systems, and currently earn compensatory time for after-hours support. This request is to pay overtime for up to 200 hours a year at an average overtime salary of \$20 per hour. The division states that awarding of compensatory time further compounds the understaffing problem.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$115,873		\$119,807
2 Inflation/Deflation		(2,771)		(2,612)
3 Fixed Costs		19,954		20,870
<i>Other Executive Present Law Adjustments</i>				
4 Computer Processing Increase		\$143,188		\$143,188
5 Communications		1,200		2,400
6 Travel		4,536		4,536
7 Repair & Maintenance		(14,962)		(14,962)
8 Equipment		(47,321)		(52,113)
9 Misc.		(691)		(691)
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$219,006</u>	<u>0.00</u>	<u>\$220,423</u>

4) Computer Processing Increases - The majority of the increase in contracted services (\$143,188 per year), is due to an increase of \$150,247 each year in computer processing charges. The increase is the result of annualization of computer processing costs and a change in the fee agreement with the Department of Administration.

After the 1993 legislature authorized the transfer of the motor vehicle databases to the mainframe, a flat fee of \$222,972 remained to operate CJIN each year of the 1995 biennium. A present law increase of \$127,134 would bring the total to reflect the actual expenses beginning in fiscal 1996. For a further discussion, see Motor Vehicle Division's "Executive Present Law" section.

5) Communications - The executive requests an increase of \$1,200 in fiscal 1996 and \$2,400 in fiscal 1997 for an increase of \$100 per month each year of the biennium for access to the National Law Enforcement Telecommunication System.

6) Travel - The executive requests an increase of \$4,536 each year for travel. Due to staff vacancies, the amount of travel expenditures was less than prior years. Increases are also requested for travel associated with training and auditing activities above fiscal 1994 levels. Two out-of-state trips per year to attend FBI regional working group meetings related to the National Crime Information Center (NCIC) 2000 is requested (the FBI pays for only one person to attend).

7) Repair and Maintenance - The executive provides for a decrease of \$14,962 each year due to a one-time expenditures for repair and maintenance of computer terminals in fiscal 1994.

8) Equipment - The executive requests \$16,480 for equipment in fiscal 1996 and \$11,688 in fiscal 1997 for the replacement of office equipment and 3 PCs per year, a reduction of \$47,321 in fiscal 1996 and \$52,113 in fiscal 1997 over fiscal 1994.

4110 29 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 CJIN Auditor/Training Position	2.00	\$26,524	\$56,434	2.00	\$26,054	\$55,434
2 CJIN 2000	0.00	0	15,000	0.00	0	133,300
3 4 New CJIN Agencies	0.00	0	14,912	0.00	0	16,640
4 Personal Services Reductions	0.00	(29,101)	(39,864)	0.00	(29,319)	(40,163)
Totals	2.00	(\$2,577)	\$46,482	2.00	(\$3,265)	\$165,211

Executive New Proposals

1) CJIN Auditor/Training Position - This proposal would add 2.0 FTE to handle the growth in workload mainly due to compliance with federal policy (required certification of operators, background/fingerprint checks for operators and biennial audits of user agencies) and the addition of over 20 agencies served. Currently, 3.0 FTE are responsible for providing coverage 24 hours per day, seven days a week. The current staff is responsible for providing operational support, maintenance, training, and auditing for CJIN, which encompasses 97 criminal justice agencies in Montana and more than 1,000 users. New federal laws (Brady Bill and the Child Abuse Prevention Act) will also impact this program. The new FTE and associated operating costs would be supported by general fund of \$26,524 in fiscal 1996 and \$26,054 in fiscal 1997 and CJIN-fee state special revenue funds of \$29,910 in fiscal 1996 and \$29,380 in fiscal 1997.

2) CJIN 2000 - The division is planning significant changes to the CJIN system as major changes are being made to the FBI National Crime Information Center that all Montana law enforcement agencies access on a daily basis through CJIN. The division plans to convert the CJIN message switcher and related data files to a new mid-range computer.

This proposal would begin to bring CJIN into compliance with the FBI's National Crime Information Center standards. Full compliance must be completed by 1998. This proposal requests \$15,000 in fiscal 1996 to purchase a fingerprint scanner, an FBI workstation, and a mobile digital terminal. An additional \$133,300 is recommended in fiscal 1997 for costs associated with a new, mid-range computer and the conversion costs for a new message switcher and other applications. The armory's mainframe computer is obsolete and the message switcher is 10 years old. There would be continued costs for the conversion that will be associated with the 1999 biennium.

All funding in fiscal 1996 and \$70,300 in fiscal 1997 would be provided by CJIN-fee state special revenue funds. The remaining \$63,000 in fiscal 1997 would come from Highway Traffic Safety federal grants reallocated from the Department of Transportation (due to non-compliance with a motorcycle helmet law mandate).

3) Expand CJIN Agencies - This proposal would fund the cost of computer equipment to add four new users to the CJIN system each year (there are currently 12 agencies on the waiting list). CJIN-fee state special revenue paid by the agencies would support this proposal for \$14,912 in fiscal 1996 and \$16,640 in fiscal 1997.

4) Personal Services Reductions - The Executive Budget proposes to reduce personal services by \$39,864 in fiscal 1996 and \$40,163 in fiscal 1997. The agency plans to meet this reduction by imposing vacancy savings of 5.0 percent in fiscal 1996 and 1997. Vacancy savings was approximately 13.1 percent in fiscal 1994.

Elected Officials New Proposals

1) Additional Local Area Network (LAN) Support - The Attorney General is requesting 1.0 FTE in fiscal 1996 and an additional 1.0 FTE in fiscal 1997 to support the growth from 9 LANs and 209 work stations in fiscal 1994 to 16 LANs with 246 work stations in fiscal 1995. Currently 2.5 FTE provide LAN support. This proposal would require general fund support of \$26,985 in fiscal 1996 and \$53,470 in fiscal 1997.

2) Security/Disaster Recovery Officer - The Attorney General requests adding 1.0 FTE to provide security and disaster recovery tasks for the department's three statewide computerized systems (Title and Registration, Driver License Control, and the Criminal Justice Information Network). The last electronic data processing audit report by the Office of the Legislative Auditor made several recommendations regarding computer access and security, management control, and contingency and disaster recovery plans. This proposal requests general fund of \$31,109 in fiscal 1996 and \$30,609 in fiscal 1997.

3) Systems Analyst - The Attorney General requests adding 1.0 FTE for a systems analyst. This position would enable the department to better utilize existing computer applications and better integrate the applications. In addition, the department faces the automation requirements of new federal legislation (the Brady Law, the Crime Bill, the National Child Protection Act, and NCIC 2000 mandates). This proposal requests general fund of \$36,925 in fiscal 1996 and \$36,425 in fiscal 1997.

4110 30 00000 DEPARTMENT OF JUSTICE Program Summary								
EXTRADITION & TRANSP PRISONERS								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	166	(166)	0	0	(166)	0	0	0
Operating Expenses	117,053	24,781	0	141,834	38,964	0	156,017	297,851
Total Costs	\$117,219	\$24,615	\$0	\$141,834	\$38,798	\$0	\$156,017	\$297,851
Fund Sources								
General Fund	117,219	24,615	0	141,834	38,798	0	156,017	297,851
Total Funds	\$117,219	\$24,615	\$0	\$141,834	\$38,798	\$0	\$156,017	\$297,851

Program Description

The Extradition and Transportation of Prisoners program reimburses county sheriffs for allowable expenses associated with transporting prisoners to Montana detention centers and for expenses of extraditing prisoners to Montana.

Funding

This program is supported entirely by general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Employee Benefits and Travel		\$24,615		\$38,798
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$24,615</u>	<u>0.00</u>	<u>\$38,798</u>

1) Employee Benefits and Travel - Actual expenditures for the extradition and transportation of prisoners were \$117,219 in fiscal 1994. The amount requested in fiscal 1996 is \$3,000 less than the amount appropriated in 1994, but is \$24,615 more than fiscal 1994 expenditures. In fiscal 1997, an increase of \$38,798 is requested over fiscal 1994 expenditures.

Table 6 shows expenditures from this program since fiscal 1989. While the amounts requested for the 1997 biennium are significantly less than actual expenditures since 1989, program transfers totalling \$27,000 of authority not needed in this program took place in fiscal 1994 to supplement other programs.

Table 6
Extradition and Transportation
of Prisoners

Fiscal Year	Total Expenditures
1989	\$187,199
1990	191,751
1991	193,224
1992	217,647
1993	163,882
1994	117,053
1995 Appropriated	151,720
1996 Executive	141,834
1997 Executive	156,017

4110 32 00000								
DEPARTMENT OF JUSTICE				FORENSIC SCIENCE DIVISION				
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	19.50	0.00	0.00	19.50	0.00	0.00	19.50	19.50
Personal Services	874,721	90,898	(48,281)	917,338	96,111	(48,703)	922,129	1,839,467
Operating Expenses	351,596	(25,384)	39,440	365,652	(18,260)	39,388	372,724	738,376
Equipment	63,481	16,619	9,300	89,400	14,219	2,170	79,870	169,270
Debt Service	3,593	(3,593)	0	0	(3,593)	0	0	0
Total Costs	\$1,293,391	\$78,540	\$459	\$1,372,390	\$88,477	(\$7,145)	\$1,374,723	\$2,747,113
Fund Sources								
General Fund	988,803	77,854	225,754	1,292,411	87,492	218,150	1,294,445	2,586,856
State/Other Special	265,295	0	(265,295)	0	0	(265,295)	0	0
Federal Special	39,293	686	40,000	79,979	985	40,000	80,278	160,257
Total Funds	\$1,293,391	\$78,540	\$459	\$1,372,390	\$88,477	(\$7,145)	\$1,374,723	\$2,747,113

Program Description

The Forensic Science Division, which includes the State Crime Lab in Missoula and the State Medical Examiner, provides for a statewide system of death investigation, forensic science training, and scientific criminal investigation and analysis for specimens submitted by law enforcement officials, coroners, and state agencies. The division tests firearms, toolmarks, hair, fiber, drugs, blood, body fluids, and tissues. The laboratory also analyzes blood, breath, and urine samples in connection with Driving Under the Influence of Alcohol or Drugs (DUI) and provides the certification, maintenance, and training of all law enforcement personnel on breath testing instruments.

Funding

The Forensic Science Division is funded by earmarked alcohol tax funds of \$265,295 each fiscal year for the laboratory testing and intoxilizer equipment maintenance done by the State Crime Lab for the DUI enforcement program. These funds also support part of the cost of a DUI specialist forensic scientist position at the lab. The balance of the program is funded by general fund.

The executive proposes replacing the alcohol tax funds with general fund and using all earmarked alcohol tax funds for chemical dependency treatment programs. For a discussion of revenues and expenditures from the account, see the "Funding" section of the Chemical Dependence Program in the Department of Corrections and Human Services.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The increase is the net result of an additional 1.0 FTE transferred from another program, vacancy savings, salary increases, termination pay, and increases in longevity, benefits, and insurance.
- 4) Supplies - The executive requests an additional \$2,333 each year for the annualization of supplies for the latent fingerprint examiner. The base budget reflects nine months of expenditures, because the examiner position was not filled until October 1993.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$90,898		\$96,111
2 Inflation/Deflation		10,268		17,275
3 Fixed Costs		8,919		9,036
<i>Other Executive Present Law Adjustments</i>				
4 Supplies		\$2,333		\$2,333
5 Rent		(48,024)		(48,024)
6 Equipment		16,619		14,219
7 Installment Purch		(3,593)		(3,593)
8 Misc. Operating Expenses		1,120		1,120
<i>Total Executive Present Law Adjustments</i>	0.00	\$78,540	0.00	\$88,477
<i>LFA Issues With Executive PL Adjustments</i>				
5 Rent		\$3,389		\$3,389
6 Equipment				

5) Rent - The executive requests a decrease of \$48,024 each year for rent of non-Department of Administration buildings. Although fiscal 1994 payments for rent totaled \$103,307, the executive requests \$55,283 for fiscal years 1996 and 1997. The division's lease agreement reflects a decrease in monthly payments as costs for lease improvements were built into beginning years of the lease. Beginning fiscal 1996, these charges are no longer part of the lease.

LFA Issue - After the executive budget was developed, the division provided updated lease costs of \$58,672 each year of the biennium, a decrease of \$44,635 from fiscal 1994 actual expenditures.

6) Equipment - The executive requests \$28,600 in fiscal 1996 and \$26,200 in fiscal 1997 for replacement equipment, decreases of \$34,881 in fiscal 1996 and \$37,281 in fiscal 1997 over fiscal 1994 actual expenditures. However, the executive requests an additional \$51,500 each fiscal year for capital leases of equipment for an upgrade to the heating, ventilation, and air conditioning system.

LFA Issue - The executive proposes to move the lab to a new law enforcement center. If this proposal is approved by the legislature, these improvements may not be necessary.

7) Installment Purchases - The executive does not request any funds for installment purchases, as no more installment payments will be required in the 1997 biennium for the copy machine.

4110 32 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 New Equipment		\$9,300	\$9,300		\$2,170	\$2,170
2 Fund Switch-Part Of Oper Costs		255,562	(560)		255,429	(612)
3 Legislative Contract Authority			40,000			40,000
4 Personal Services Reductions		(39,108)	(48,281)		(39,449)	(48,703)
Totals		\$225,754	\$459		\$218,150	(\$7,145)

Executive New Proposals

1) New Equipment - This proposal would provide \$9,300 in fiscal 1996 and \$2,170 in fiscal 1997 for the purchase of equipment. The following pieces of equipment are included in the request for fiscal 1996: a) an antivibration table (\$2,000) to allow full utilization of the stereo microscopes; b) an electron capture detector (\$4,000) to allow the lab to have an increased sensitivity in the detection of benzodiazepines, a drug that has become more common in death investigation; c) Leitz microscope accessories (\$1,000) to identify trace material in crime evidence analysis; d) a phototube adaptor (\$1,500) which attaches to the stereoscope, allowing pictures to be taken of the evidence examined for further identification and preservation; and e) an electro-static print lift (\$800) that will lift impressions from footwear and tire marks to allow comparison with suspected impressions.

Equipment in the fiscal 1997 request includes: a) wall cases (\$1,370) to allow dust-free storage of slides, microscope accessories, etc; and b) laboratory stools (\$800).

This request would be supported by general fund.

2) Fund Switch - The executive proposes replacing earmarked alcohol tax state special revenue funds of over \$255,000 each year with general fund to allow the alcohol treatment funds to be used for chemical dependency treatment programs. For a further discussion, see the Chemical Dependency Program in the Department of Corrections and Human Services.

3) Legislative Contract Authority (LCA) - The executive provides \$40,000 each year for LCA. For a further discussion, see the agency "Other LFA Issues" section.

4) Personal Services Reductions - The Executive Budget proposes to reduce personal services by \$48,281 in fiscal 1996 and \$48,703 in fiscal 1997. The agency plans to meet this reduction by imposing vacancy savings of 5.0 percent in fiscal years 1996 and 1997. Vacancy savings was approximately 1.9 percent in fiscal 1994. This savings would result in a yearly reduction of \$48,281 in general fund if item 2 is approved by the legislature. If item #2, above, is not approved, general fund would be reduced by \$39,108 in fiscal 1996 and \$39,449 in fiscal 1997. Alcohol tax state special revenue would be reduced \$9,173 in fiscal 1996 and \$9,254 in fiscal 1997.

5) Contingency Language - Several statutory appropriations were recommended for elimination by the LFC as part of its review of statutory appropriations required by SB 378. The Department of Justice may receive a statutory appropriation up to \$50,000 per year of general fund for the purchase and maintenance of DUI intoxilizers used to analyze breath for the presence of alcohol. The funds for the statutory appropriation come from the portion of one-half of drivers' license reinstatement fees not distributed to county DUI prevention programs.

The executive recommends the following contingency language be included in the general appropriations act if this statutory appropriation is eliminated.

"If House Bill (LC0200) is passed and approved in a form that eliminates the statutory appropriation for DUI intoxicilizers, the general fund appropriation in item xx is increased by \$50,000 in fiscal 1996 and \$50,000 in fiscal 1997."

Elected Officials New Proposals

1) Forensic Scientist - The Attorney General requests general fund of \$24,990 in each fiscal year to add 0.5 FTE in fiscal years 1996 and 1997 to create one full-time forensic scientist (the lab currently has a 0.5 FTE). Over the past four years, the number of cases has increased an average of 23 percent annually. The department states it would be very difficult to recruit a qualified forensic scientist to fill the current half-time position.

2) Training Assignment of Forensic Scientist - At the end of fiscal 1995, an individual at the crime lab will have completed a two-year training assignment as a forensic scientist in firearms and tool marks. At the end of the training period, the individual's salary will be raised to be commensurate with the other forensic scientists. Total costs are \$9,600 of general fund each year.

5114 00 00000								
MONTANA ARTS COUNCIL								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	10.00	1.00	11.00	10.00	1.00	11.00	9.97	11.00
Personal Services	312,211	26,887	339,098	314,259	26,979	341,238	598,826	680,336
Operating Expenses	180,853	4,580	185,433	165,288	4,488	169,776	644,564	355,209
Equipment	2,300	0	2,300	0	0	0	3,388	2,300
Grants	304,053	0	304,053	302,425	0	302,425	1,388,992	606,478
Total Costs	\$799,417	\$31,467	\$830,884	\$781,972	\$31,467	\$813,439	\$2,635,770	\$1,644,323
Fund Sources								
General Fund	126,853	85,460	212,313	108,646	85,460	194,106	243,584	406,419
State/Other Special	166,723	(60,719)	106,004	167,483	(60,719)	106,764	1,227,719	212,768
Federal Special	505,841	6,726	512,567	505,843	6,726	512,569	1,164,467	1,025,136
Total Funds	\$799,417	\$31,467	\$830,884	\$781,972	\$31,467	\$813,439	\$2,635,770	\$1,644,323

Agency Description

The Montana Arts Council (MAC), authorized by section 22-2-101, MCA, cooperates with public and private institutions engaged in artistic and cultural activities. It: 1) recommends appropriate methods to encourage participation in and appreciation of the arts; 2) fosters interest in the state's cultural heritage; 3) expands the state's cultural resources; and 4) encourages and assists freedom of artistic expression through on-going programs and council initiated projects. The council administers the Cultural and Aesthetic Projects Advisory Committee authorized in section 22-2-302, MCA. This committee reviews all proposals for cultural and aesthetic project grants and presents its recommendations to the legislature. Grant proposals approved by the legislature are administered by the Arts Council.

5114 00 00000								
MONTANA ARTS COUNCIL								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	9.97	0.03	1.00	11.00	0.03	1.00	11.00	11.00
Personal Services	298,376	13,835	26,887	339,098	15,883	26,979	341,238	680,336
Operating Expenses	193,673	(12,820)	4,580	185,433	(28,385)	4,488	169,776	355,209
Equipment	3,388	(1,088)	0	2,300	(3,388)	0	0	2,300
Grants	369,049	(64,996)	0	304,053	(66,624)	0	302,425	606,478
Total Costs	\$864,486	(\$65,069)	\$31,467	\$830,884	(\$82,514)	\$31,467	\$813,439	\$1,644,323
Fund Sources								
General Fund	122,838	4,015	85,460	212,313	(14,192)	85,460	194,106	406,419
State/Other Special	153,086	13,637	(60,719)	106,004	14,397	(60,719)	106,764	212,768
Federal Special	588,562	(82,721)	6,726	512,567	(82,719)	6,726	512,569	1,025,136
Total Funds	\$864,486	(\$65,069)	\$31,467	\$830,884	(\$82,514)	\$31,467	\$813,439	\$1,644,323

Funding

The executive funds the MAC with a combination of general fund, community match funds, Cultural and Aesthetic Trust Fund interest earnings and federal funds.

General fund comprises approximately 25 percent of the council budget and approximately 36 percent of the operating budget (total budget less grants and honorariums). Additionally, \$31,120 of grants to local communities and schools are funded from the general fund in each year of the biennium.

State special revenue includes: 1) \$35,000 each year of community match funds used to pay artists participating in the Artist in the Schools (AIS) program; and 2) \$131,723 in fiscal 1996 and \$132,483 in fiscal 1997 of Cultural and Aesthetic Trust Fund (coal tax) interest for the purpose of administering the cultural and aesthetic grants and the cost of the advisory council (section 22-2-304, MCA).

Federal funds from the National Endowment for the Arts (NEA) are: 1) \$257,651 in fiscal 1996 and \$259,894 in fiscal 1997 for administration and AIS ; and 2) \$248,190 in fiscal 1996 and \$245,949 in fiscal 1997 for grants and honorariums.

New proposals increase general fund \$85,460 each year, decrease cultural and aesthetic funds \$60,719 each year, and increase federal funds \$6,726 each year.

This level of funding represents a significant decrease from the fiscal 1994 base budget. These reductions are the result of declines in interest earnings from the Cultural and Aesthetic Trust Fund and declines in community match funds and federal NEA funds. See "LFA Issues" under the present law section for more information on MAC funding.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The Executive Budget includes adjustments which are the net result of: a) vacancy savings; b) pay plan increases; c) termination payouts; and d) the addition of .03 FTE to correct an FTE erroneously recorded as .47 FTE.

4) Consultant & Professional Services - The Executive Budget includes negative adjustments of \$25,002 in fiscal 1996 and \$25,616 in fiscal 1997. These adjustments are primarily the result of the executive new proposal to convert a three-quarter time contract into a full-time FTE. For more information, see "Executive New Proposals" item #3, Public Information Contract.

5) Equipment - The Executive Budget includes \$2,300 in fiscal 1996 to purchase a computer for the accountant. Fiscal 1994 expenditures totaled \$3,388.

6) Grants - Grants decrease by \$64,996 in fiscal 1996 and \$66,624 in fiscal 1997 due to reductions in federal funds available for grants.

7) Other - The Executive Budget includes increases of \$6,086 in both years of the biennium for miscellaneous expenditures.

*Amended
Art 7*

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	0.03	\$13,835	0.03	\$15,883
2 Inflation/Deflation		1,688		2,346
3 Fixed Costs		4,408		(11,201)
<i>Other Executive Present Law Adjustments</i>				
4 Consultant & Professional Services		(\$25,002)		(\$25,616)
5 Equipment		(1,088)		(3,388)
6 Grants		(64,996)		(66,624)
7 Other		6,086		6,086
<i>Total Executive Present Law Adjustments</i>	0.03	(\$65,069)	0.03	(\$82,514)
<i>LFA Issues With Present Law</i>				
Expenditures and Funding				

Other LFA Issues With Present Law - Funding for the MAC has dramatically declined since the 1993 legislative session. As shown in Table 1, fiscal 1994 actual expenditures are \$532,214 less than the level appropriated by the 1993 legislature, and executive present law funding for fiscal 1996 is less than the fiscal 1994 base by \$65,069. These reductions are due to a combination of three factors: 1) a significant decline in interest earnings from the Cultural and Aesthetic (C&A) Trust Fund resulted in less state money available to administer the Cultural and Aesthetic grants and pay the costs of the council; 2) since the C&A funds are used as match for federal National Endowment for the Arts (NEA) funds, the ability of the council to match and receive federal funds has declined; and 3) due to federal funding reductions, there are less federal NEA funds available to grant to states.

During fiscal 1994, the council became aware of the funding shortages and reduced both grants and operations. In anticipation of lower funding levels in the 1997 biennium, the executive reduced federal grants by approximately \$65,000 and has proposed to replace C&A funds in the Rural Arts and Folklife programs with general fund. For a further discussion, see "Executive New Proposals" items #1 and #2.

Table 1 Montana Arts Council Funding Fiscal 1994 Appropriations Compared to Fiscal 1994 Actual Expenditures and to Fiscal 1996 Present Law					
	Appropriation after Nov. 1993 Special Session Fiscal 1994	(Base Budget) Adjusted Actuals Fiscal 1994	Difference FY94 Actuals Over(Under) FY94 Approp.	Present Law Fiscal 1996	Difference FY96 PL Over(Under) FY94 Actuals
General Fund*	\$123,243	\$122,838	(\$405)	\$126,853	\$4,015
MAC/AIS Community Match	80,000	26,382	(53,618)	35,000	8,618
Cultural & Aesthetic Trust Interest	241,934	126,704	(115,230)	131,723	5,019
Federal NEA Administration & Grants	951,523	588,562	(362,961)	505,841	(82,721)
Total	\$1,396,700	\$864,486	(\$532,214)	\$799,417	(\$65,069)
*If the executive new proposals are adopted, general fund would increase to \$212,313 and C&A interest would be reduced to \$71,004 in fiscal 1996.					

Although C&A funds have declined significantly between fiscal 1992 and fiscal 1994, revenue estimates adopted by the Revenue Oversight Committee (ROC), in November 1994, indicate that earnings will increase approximately 3 percent between fiscal 1994 and fiscal 1995. A 3 percent increase is not substantial considering the decrease between fiscal 1992 and fiscal 1994 was almost 30 percent. However, ROC predicts the C&A earnings will continue to rise (1.14 percent between fiscal 1995 and 1996 and 2.71 percent between fiscal 1996 and 1997). The legislature should be aware, however, that if it authorizes C&A funding as proposed in present law (including grants recommended in the C&A grant program) projected ending fund balance for the 1997 biennium, using ROC assumptions, is negative \$16,077. The total Executive Budget, including new proposals, would increase projected ending fund balance for the 1997 biennium to approximately \$105,361.

The legislature has two primary options: 1) to provide funding for the MAC at the level recommended in the Executive Budget. This option would fund federal grants at about \$65,000 less than in fiscal 1994 and would replace \$60,719 of C&A funds in the Rural Arts Program and the Folklife Program with general fund. Increasing general fund allows the council to maximize the funds available for grants and results in a positive ending fund balance; or 2) to not increase general fund for the MAC. The council would either: a) continue to use C&A funds for program costs, which could result in neither a decrease nor an increase in C&A funds available for grants to communities and local artists (in the 1995 biennium, an estimated \$1.3 million in C&A grants will be awarded); or b) pursue alternative sources of federal or private funding. Pursuit of such funds would put the council in direct competition with the artists and communities it serves.

5114 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Rural Arts Program-Fund Switch	0.00	\$49,482	\$0	0.00	\$49,482	\$0
2 Folklife - Funding Switch	0.00	35,978	0	0.00	35,978	0
3 Public Information Contract	1.00	0	31,467	1.00	0	31,467
Totals	1.00	\$85,460	\$31,467	1.00	\$85,460	\$31,467

Executive New Proposals

1) Rural Arts Program Funding Switch - The executive proposes to change the funding for the Rural Arts Program from 50 percent federal funds and 50 percent cultural trust funds to 100 percent general fund. This proposal would cost \$49,482 each year of the biennium and would provide \$21,652 for operations and \$27,830 for personal services for 1.0 FTE.

The National Endowment for the Arts (NEA) has funded this program for three years. MAC anticipates a significant reduction or zero funding from this source in the 1997 biennium. The earnings from the cultural trust fund were originally projected to decline from the fiscal 1994 level, however, current revenue estimates adopted by ROC project earnings to increase slightly during the 1997 biennium (2.71 percent).

The Rural Arts Program, established in 1992, provides technical assistance to developing and existing rural and local arts agencies. A rural arts steering committee is responsible for establishing a rural network for local, regional, and statewide arts organizations.

2) Folklife Program Funding Switch - The Executive Budget funds the Folklife Program with 100 percent general fund, totaling \$35,978 each year of the biennium. This proposal provides \$31,218 to support 1.0 FTE and \$4,760 for

operations. This program has been funded by the cultural and aesthetic trust since its inception in 1979, although the statute mandating the program expired July 1, 1983.

The Folklife Program employs a grade 13, 1.0 FTE director that works to: a) identify, research, and document those Montanans who are bearers of traditional cultures; and b) educate the public about Montana folk arts and ways through the production of books, records, articles, and other presentations.

See "Other LFA Issues with Present Law" in the "Executive Present Law" section for more information on MAC funding.

3) Public Information Contract - The Executive Budget provides \$31,467 of federal appropriation authority each year of the biennium to convert a three-quarter time contract into a full-time FTE. The current FTE produces the ArtistSearch newsletter, and prepares press releases, monthly articles, annual and biennial reports, and applications.

The executive excludes \$19,938 that MAC spent on this contract in fiscal 1994 from present law. This proposal represents an increase of \$11,529 in each year of the biennium over the fiscal 1994 base.

Mandate (based on 1994 proposal)

5115 00 00000								
LIBRARY COMMISSION								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	28.50	0.00	28.50	28.50	0.00	28.50	35.16	28.50
Personal Services	893,168	(44,289)	848,879	896,893	(44,622)	852,271	1,933,247	1,701,150
Operating Expenses	698,838	125,102	823,940	673,145	125,102	798,247	1,334,637	1,622,187
Equipment	153,940	103,456	257,396	140,058	117,456	257,514	292,552	514,910
Capital Outlay	0	0	0	0	0	0	7,962	0
Grants	1,791,355	100,000	1,891,355	375,001	100,000	475,001	2,085,811	2,366,356
Transfers	850,000	0	850,000	0	0	0	187,417	850,000
Debt Service	0	0	0	0	0	0	2,694	0
Total Costs	\$4,387,301	\$284,269	\$4,671,570	\$2,085,097	\$297,936	\$2,383,033	\$5,844,320	\$7,054,603
Fund Sources								
General Fund	1,373,565	170,339	1,543,904	1,119,119	185,061	1,304,180	2,256,343	2,848,084
State/Other Special	991,152	64,969	1,056,121	553,394	63,914	617,308	1,280,061	1,673,429
Federal Special	2,022,584	48,961	2,071,545	412,584	48,961	461,545	2,307,916	2,533,090
Total Funds	\$4,387,301	\$284,269	\$4,671,570	\$2,085,097	\$297,936	\$2,383,033	\$5,844,320	\$7,054,603

Agency Description

The Library Commission, authorized in section 22-1-101, MCA, provides assistance and advice to all tax-supported libraries and to local governments that may wish to establish or improve libraries. In addition to administering state and federal funding to libraries throughout Montana, it: 1) maintains and operates the state library; 2) oversees the six federations of libraries; and 3) does policy development, long-range planning, and coordination of library service throughout the state. It is also responsible for the Natural Resource Information System (NRIS) and the Natural Heritage Program under section 90-15-101, MCA.

5115 00 00000								
LIBRARY COMMISSION								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	28.50	0.00	0.00	28.50	0.00	0.00	28.50	28.50
Personal Services	851,033	42,135	(44,289)	848,879	45,860	(44,622)	852,271	1,701,150
Operating Expenses	585,017	113,821	125,102	823,940	88,128	125,102	798,247	1,622,187
Equipment	142,998	10,942	103,456	257,396	(2,940)	117,456	257,514	514,910
Capital Outlay	7,962	(7,962)	0	0	(7,962)	0	0	0
Grants	687,533	1,103,822	100,000	1,891,355	(312,532)	100,000	475,001	2,366,356
Transfers	0	850,000	0	850,000	0	0	0	850,000
Debt Service	1,818	(1,818)	0	0	(1,818)	0	0	0
Total Costs	\$2,276,361	\$2,110,940	\$284,269	\$4,671,570	(\$191,264)	\$297,936	\$2,383,033	\$7,054,603
Fund Sources								
General Fund	1,131,030	242,535	170,339	1,543,904	(11,911)	185,061	1,304,180	2,848,084
State/Other Special	533,062	458,090	64,969	1,056,121	20,332	63,914	617,308	1,673,429
Federal Special	612,269	1,410,315	48,961	2,071,545	(199,685)	48,961	461,545	2,533,090
Total Funds	\$2,276,361	\$2,110,940	\$284,269	\$4,671,570	(\$191,264)	\$297,936	\$2,383,033	\$7,054,603

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Library Automation Systems	0.00	\$33,728	\$33,728	0.00	\$48,728	\$48,728
2 Interlibrary Loan Increase	0.00	100,000	100,000	0.00	100,000	100,000
3 Personal Services Reductions	0.00	(37,030)	(37,030)	0.00	(37,308)	(37,308)
4 BA24 Literacy Resource Center	0.00	0	26,461	0.00	0	26,461
5 Information Clearinghouse	0.00	0	69,728	0.00	0	68,728
6 State Lands Increase	0.00	0	25,000	0.00	0	25,000
7 Workload Increase	0.00	73,641	73,641	0.00	73,641	73,641
8 Personal Services Reductions	0.00	0	(7,259)	0.00	0	(7,314)
Totals	0.00	\$170,339	\$284,269	0.00	\$185,061	\$297,936

Proposed

Automation - Clearinghouse

96 \$ 103,456

97 117,456.

5115 01 00000								
LIBRARY COMMISSION		STATE LIBRARY OPERATIONS						
Program Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	24.50	0.00	0.00	24.50	0.00	0.00	24.50	24.50
Personal Services	703,248	44,745	(37,030)	710,963	47,835	(37,308)	713,775	1,424,738
Operating Expenses	361,959	80,203	26,461	468,623	54,187	26,461	442,607	911,230
Equipment	133,787	1,653	33,728	169,168	(3,729)	48,728	178,786	347,954
Capital Outlay	7,962	(7,962)	0	0	(7,962)	0	0	0
Grants	687,533	1,103,822	100,000	1,891,355	(312,532)	100,000	475,001	2,366,356
Debt Service	1,752	(1,752)	0	0	(1,752)	0	0	0
Total Costs	\$1,896,241	\$1,220,709	\$123,159	\$3,240,109	(\$223,953)	\$137,881	\$1,810,169	\$5,050,278
Fund Sources								
General Fund	1,131,030	242,535	96,698	1,470,263	(11,911)	111,420	1,230,539	2,700,802
State/Other Special	175,542	17,759	0	193,301	(12,457)	0	163,085	356,386
Federal Special	589,669	960,415	26,461	1,576,545	(199,585)	26,461	416,545	1,993,090
Total Funds	\$1,896,241	\$1,220,709	\$123,159	\$3,240,109	(\$223,953)	\$137,881	\$1,810,169	\$5,050,278

Program Description

The State Library Operations Program provides: 1) information services to state government; 2) referral and back-up services to all libraries in the state; 3) direct library service to all blind and physically handicapped Montana residents; 4) staff consultation and services to individual libraries; and 5) direction to the six library federations. This program administers the state documents depository system, functions as a partial depository for federal government publications, and coordinates the development of library collections throughout the state. The program also manages the budgetary, personnel, and coordination functions of the State Library.

Funding

Table 1 shows the funding for the State Library Operations program:

Table 1
State Library Operations

Funding	Fiscal 1996	Fiscal 1997	Percent of Total
General Fund			
Grants to Public Libraries (Biennial)	\$251,138	\$0	
LSCA Maintenance of Effort*	83,000	83,000	
Interlibrary Loan Program	200,000	200,000	
Operations	839,427	836,119	
New Proposals	96,698	111,420	
Total General Fund	\$1,470,263	\$1,230,539	54%
State Special Revenue			
Miscellaneous Donations	\$2,000	\$2,000	
LBPH Donations (Biennial)	25,000	0	
Coal Tax	166,301	161,085	
Total Special Revenue	\$193,301	\$163,085	7%
Federal Special Revenue			
LSCA Funds:			
Operations	\$390,084	\$390,084	
Grants (Biennial)	1,160,000	0	
New Proposals	26,461	26,461	
Total Federal Funds	\$1,576,545	\$416,545	39%
Total All Funds	\$3,240,109	\$1,810,169	
*Library Services and Construction Act			

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - Personal services increase due to the net result of: a) the elimination of early retirement incentive costs; b) pay plan increases; c) the downgrade of the library development manager position; and d) vacancy savings.

3) Fixed Costs - Fixed costs increase primarily due to rent and audit costs.

4) Contracts with Non-profits - The executive increases contracts with non-profits by \$20,427 in fiscal 1996 and \$17,385 in fiscal 1997. This increase is primarily due to a subscription with InfoTrac, which provides computer access to business and academic indexes and articles.

5) Equipment - The Executive Budget includes \$135,440 in fiscal 1996 and \$130,058 in fiscal 1997 for: a) library books; and b) computers. The fiscal 1994 base includes \$133,787 for equipment.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$44,745		\$47,835
2 Inflation/Deflation		1,042		1,435
3 Fixed Costs		45,886		35,297
<i>Other Executive Present Law Adjustments</i>				
4 Contracts with Non-profits		\$20,427		\$17,385
5 Equipment		1,653		(3,729)
6 Grants		1,103,822		(312,532)
7 Other		3,134		(9,644)
<i>Total Executive Present Law Adjustments</i>	0.00	\$1,220,709	0.00	(\$223,953)

6) Grants - The federal funds the library receives for Library Services and Construction Act (LSCA) projects can be spent over several years. Therefore, the executive recommends biennial appropriation authority. The adjustments in the Executive Budget provide expenditure authority at the same level authorized by the 1993 legislature.

7) Other - Other adjustments are for supplies and materials, communications and travel. The majority of these expenses relate to a \$25,000 biennial appropriation established to enhance services to the library for the blind and handicapped. These expenditures are funded from grants and bequests.

5115 01 00000

Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Library Automation Systems	0.00	\$33,728	\$33,728	0.00	\$48,728	\$48,728
2 Interlibrary Loan Increase	0.00	100,000	100,000	0.00	100,000	100,000
3 Personal Services Reductions	0.00	(37,030)	(37,030)	0.00	(37,308)	(37,308)
4 BA24 Literacy Resource Center	0.00	0	26,461	0.00	0	26,461
Totals	0.00	\$96,698	\$123,159	0.00	\$111,420	\$137,881

Executive New Proposals

1) Library Automation Systems - The Executive Budget includes general fund of \$33,728 in fiscal 1996 and \$48,728 in fiscal 1997 to provide partial funding for a library automation system and clearinghouse. This system would be an expansion of the library local area network and would be accessible to government agencies, private industries, and individuals.

This library automation system would provide automated library circulation, a public access catalog, and remote access to the library via Internet and dial-in modems. The information clearinghouse would include descriptions and locations of various data around the state and nation, databases, a digital map atlas for Montana of all maps created by NRIS and other organizations, and natural resource documents.

The funding in this proposal is only a portion of its entire cost. The executive also provides \$69,728 in fiscal 1996 and \$68,728 in fiscal 1997 of resource indemnity trust (RIT) funds each year in a new proposal in the NRIS Program. The total funds recommended for this project are \$103,456 in fiscal 1996 and \$117,456 in fiscal 1997. However, the legislature should note that this proposal would require approximately \$117,000 each year for an additional three years beyond the 1997 biennium.

New Table

Funding Source	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000
Operations Program General Fund	\$33,728	\$48,728	\$48,500	\$48,500	\$48,500
NRIS Program RIT Funds	69,728	68,728	68,500	68,500	68,500
Total Funding Requested	\$103,456	\$117,456	\$117,000	\$117,000	\$117,000
Expenditures	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000
<i>hard</i> Installment Contract	\$50,956	\$50,956	\$50,956	\$50,956	\$50,956
Maintenance	0	24,000	24,000	24,000	24,000
Contracted Services - Operations	32,500	32,500	32,500	32,500	32,500
Clearing house/Software	10,000	0	0	0	0
ISD Network Fees	10,000	10,000	0	0	0
Miscellaneous	0	0	9,544	9,544	9,544
Total Expenditures	\$103,456	\$117,456	\$117,000	\$117,000	\$117,000

*New Rate
6.9*

Interest 5.780%

The executive proposes to fund the equipment necessary for this system through a five year installment agreement between the State Purchasing Bureau and Norwest Investment Services. Funds requested in this proposal include \$50,956 each year to pay the cost of the installment contract, \$32,500 each year to contract to operate the system and \$24,000 each year for maintenance costs. The equipment will belong to the state at the end of the five years.

2) Interlibrary Loan Increase - The executive includes general fund of \$100,000 each year to increase funding for the interlibrary loan program. According to statute, the state library must reimburse certain Montana libraries for participating in the interlibrary loan program. The State Library Commission determines the amount of reimbursement based on number of loans and available funds. In past years, the reimbursement amount was \$5 per loan. Due to increases in the volume of interlibrary loans, the amount of reimbursement has been reduced to \$3.75 per loan to stay within available appropriations. *moved 1/24/95 - PASSED*

The executive includes \$200,000 in present law each year for this program. This proposal reflects a 50 percent increase in funding.

3) Personal Services Reductions - The Executive Budget reduces general fund personal services by \$37,030 in fiscal 1996 and \$37,308 in fiscal 1997 by implementing a vacancy savings rate of approximately 5 percent. This program overspent its personal services appropriation in fiscal 1993, but incurred vacancy savings of 3 percent in fiscal 1994. *moved 1/24/95 - PASSED*

4) BA24 Literacy Resource Center - The executive includes federal funds of \$26,461 each year to continue the operations of the resource center. The center was established in fiscal 1994 through a budget amendment. The function of the center is to: a) stimulate the coordination of literacy services, b) enhance the capacity of state and local organizations to provide literacy services, and c) serve as a link between the National Institute for Literacy and service providers to share information, resources, and expertise.

10/1/94
accepted

LIBRARY COMMISSION

Program Summary

NATURAL RESOURCE INFO SERVICES

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	147,785	(2,610)	(7,259)	137,916	(1,975)	(7,314)	138,496	276,412
Operating Expenses	223,058	33,618	98,641	355,317	33,941	98,641	355,640	710,957
Equipment	9,211	9,289	69,728	88,228	789	68,728	78,728	166,956
Transfers	0	850,000	0	850,000	0	0	0	850,000
Debt Service	66	(66)	0	0	(66)	0	0	0
Total Costs	\$380,120	\$890,231	\$161,110	\$1,431,461	\$32,689	\$160,055	\$572,864	\$2,004,325
Fund Sources								
General Fund	0	0	73,641	73,641	0	73,641	73,641	147,282
State/Other Special	357,520	440,331	64,969	862,820	32,789	63,914	454,223	1,317,043
Federal Special	22,600	449,900	22,500	495,000	(100)	22,500	45,000	540,000
Total Funds	\$380,120	\$890,231	\$161,110	\$1,431,461	\$32,689	\$160,055	\$572,864	\$2,004,325

Program Description

The Natural Resource Information Services (NRIS) Program manages the state's natural resource data. It provides a standard system for the acquisition, storage, retrieval, and management of this data, and it coordinates and consults with other state agencies on the geographic information system and the rivers' study. The program also administers the Montana natural heritage program, a database on rare or exemplary plants, animals, communities, and geological features.

Funding

The following table shows the executive funding for the NRIS Program:

Table 3 NRIS Program Executive Funding								
	*****Fiscal 1996*****				*****Fiscal 1997*****			
	General Fund	State Special	Federal/ Other	Total Funds	General Fund	State Special	Federal/ Other	Total Funds
NRIS Core								
FWP		\$50,000		\$50,000		\$50,000		\$50,000
DOT		100,000		100,000		100,000		100,000
DSL		2,500	\$22,500	25,000		2,500	\$22,500	25,000
LCA (Biennial)		400,000	450,000	850,000				0
Renewable Resources (RIT)		130,158		130,158		126,129		126,129
Reclamation & Development (RIT)		115,193		115,193		111,680		111,680
New Proposals	\$73,641	64,969	22,500	161,110	\$73,641	63,914	22,500	160,055
Total	\$73,641	\$862,820	\$495,000	\$1,431,461	\$73,641	\$454,223	\$45,000	\$572,864

As shown in the table, all funds are state special and federal revenue except for \$73,641 general fund each fiscal year in a new proposal for performance based budgeting.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$2,610)		(\$1,975)
2 Inflation/Deflation		767		1,105
3 Fixed Costs		15,782		15,789
<i>Other Executive Present Law Adjustments</i>				
4 Contracts with Non-profits		\$9,900		\$9,900
5 Maintenance Contracts		6,240		6,240
6 Equipment		9,289		789
7 Legislative Contract Authority		850,000		0
8 Other		863		841
<i>Total Executive Present Law Adjustments</i>	0.00	\$890,231	0.00	\$32,689
<i>LFA Issues With Executive PL Adjustments</i>				
7 Legislative Contract Authority				

1) Personal Services - The decrease in personal services is primarily the net result of the elimination of early retirement incentive costs, partially offset by pay plan increases and vacancy savings.

3) Fixed Costs - Fixed costs increase primarily due to rent and audit costs.

4) Contracts with Non-Profits - The executive includes an adjustment of \$9,900 each fiscal year for the library to contract with the Nature Conservancy to operate the Montana Natural Heritage Program. This program, provided for in 90-15-302, MCA, provides centralized information on biologically critical areas and species to governments, private industry, and individuals. Requests for information from this program have increased approximately 20 percent each year during the last six years.

5) Maintenance Contracts - The Executive Budget includes \$6,240 each year to increase maintenance contracts for the geographic information system (GIS) to \$11,000 each year. Annual maintenance on GIS software and hardware averages \$33,000 each year. This increase, funded with resource indemnity trust (RIT) funds, would pay for one-third of the maintenance costs.

6) Equipment - The executive includes \$18,500 in fiscal 1996 and \$10,000 in fiscal 1997 to: a) replace 9 computers; b) upgrade computer memories; and c) add computers to the local area network. Fiscal 1994 base expenditures include \$9,211 in equipment.

7) Legislative Contract Authority - The executive includes \$850,000 over the biennium for legislative contract authority (LCA). This authority would allow the library to contract with other state agencies, local governments, private industry, and individuals. This adjustment provides LCA at the level authorized by the 1993 legislature. However, the 1993 legislature included restrictive language in HB 2 that limited use of LCA to federal and private funds.

LFA Issue - The executive recommends expanding the use of LCA to state special revenue funds in addition to federal and private funds. This expansion would allow the library to contract with other state agencies. The legislature originally authorized LCA to enable NRIS to enter into contracts with federal agencies and private interests, and to spend the funding available from these contracts without a budget amendment. Budget amendments only authorize expenditure of state special revenue in emergencies. Providing LCA for state special revenue funds would allow the expenditure of these funds without meeting the emergency criteria. The legislature may wish to consider if the use of LCA for state special revenue funds is beyond the original intent. If this authority is granted, the legislature may also want to consider expressly restricting the use of LCA authority for state special revenue to this funding source, only. For a further discussion of LCA, please see the "Other LFA Issues" section in the agency narrative of the Department of Fish, Wildlife and Parks.

5115 07 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Information Clearinghouse			\$69,728			\$68,728
2 State Lands Increase			25,000			25,000
3 Workload Increase		73,641	73,641		73,641	73,641
4 Personal Services Reductions			(7,259)			(7,314)
Totals		\$73,641	\$161,110		\$73,641	\$160,055

Executive New Proposals

1) Information Clearinghouse - The Executive Budget includes funding to develop a library automation system/information clearinghouse, funded with general fund and RIT. For a detailed description, see Library Automation Systems in "Executive New Proposals" in the Operations Program.

2) State Lands Increase - The executive requests \$25,000 each year to increase core support of the NRIS Program. The executive includes these funds as transfer authority in present law at the Department of State Lands (DSL). Of the total each year, \$2,500 is state special revenue and \$22,500 is federal revenue.

State lands would provide \$15,000 each year to the Natural Heritage Program to assist in development of the designated lands unsuitable (DLU) database that supports DSL review of mine permits and monitoring. Additionally, \$10,000 each year would increase support for the library geographic information system (GIS) used by the Coal and Uranium Bureau at DSL.

In previous biennia, State Lands contracted with the library for services in the NRIS Program. This proposal would increase the core funding and allow the library to provide these services to State Lands without establishing a separate contract.

3) Workload Increase - The NRIS Program is one of three state agency programs participating in the performance based budgeting pilot (PBB) project during the 1997 biennium. The PBB pilot project was endorsed by the 1993 legislature through language in HB 2, which encouraged the Governor to foster development of a mission-driven, results-oriented budget system to enhance flexibility and improve decision making information available to the 1995 legislature.

The purpose of the PBB pilot project is to preview a method of budgeting that holds agencies accountable for the expenditure of resources based on service accomplishment. The methodology provides additional information to decision-makers that ties appropriations to goals and measurable performance objectives. Performance measures can be used both to provide policy guidance and to evaluate performance outcomes. Results are then compared to established targets. The executive requests \$73,641 of additional general fund each year to provide funding for NRIS to accomplish the specific goals established in PBB.

LFA Issue - The NRIS Program developed two separate and distinct budget methodologies: one according to the statutory budget process; and one based on the cost to accomplish its PBB goals.

The total Executive Budget, including new proposals, ties to performance measures. However, the executive provides no indication of increased services in this new proposal. The legislature may wish to ask the executive to provide clarification of additional services provided in this proposal.

If the legislature chooses to appropriate funds for the NRIS Program based on PBB, the NRIS Program may need flexibility to modify performance measures based on the level of funds appropriated.

Table 4 outlines the NRIS Program's PBB goals and performance targets in the 1997 biennium.

4) Personal Services Reductions - The executive reduces personal services by \$7,259 in fiscal 1996 and \$7,314 in fiscal 1997 by implementing a vacancy savings rate of 5 percent. The NRIS Program experienced vacancy savings of approximately 8 percent in fiscal 1994. Funding for this proposal is RIT funds.

5%

1,189,326
 850,000 LCA

 2,039,326 - Should be
 (35,001) - Cut.

 2,004,325 - Balances to Book

New Chart

Table 4
NRIS Program Performance Based Budgeting
1997 Biennium

Goal	----- Cost -----		Performance Targets
	Core	LCA*	
1. Operate Natural Resource Information Clearinghouse	\$214,817 192,257 782,387 521,079	\$22,359 261,308 35,423 50,557	Inventory Data -contact at least 50 GIS users in MT -publicize results of data inventory to at least 1000 data users yearly Information Dissemination -fill a minimum of 1000 basic information requests per year through GIS, WIS & NHP -fill 500 contract-supported information requests and products per year -identify & establish access to at least 4 new sources of data per year -at least 1000 data users yearly & continually on the Internet Identify Data Gaps (add to database) -add 400 new species occurrence records -add 800 abstracted bibliographies -add 1,000 species taxonomic records -add 350 plant characterization abstracts -conduct 25 heritage field surveys -determine 15 biological data priorities Fill Data Gaps -enter at least 4 contracts to fill data gaps -make available 10 data sets -develop plan to complete 2 statewide basemap layers -facilitate 2 statewide cooperative database development projects -update 4 water information GIS coverages -coordinate at least 2 meetings annually with information sources
Total Cost Goal 1	\$1,267,951 898,304	\$369,647	
2. Support Interagency Data Coordination	\$122,468 98,822 92,489 57,451 156,263	\$23,656 35,038 \$58,694	Interagency Coordination -facilitate at least 6 meetings on data coordination -assist in publication of 4 GIS newsletter -make at least 12 public presentations on natural resource information topics Standards -review & revise MT state GIS standards -review & implement federal geographic data standards -inventory & make available collection & documentation standards
Total Cost Goal 2	\$214,937 134,759	\$58,694	
3. Provide User Support	\$72,892 66,994 99,211 67,765 173,103	\$6,898 31,446 38,344	Provide Technical Assistance -consult with state agencies & local govt. on information systems, database design, etc., as requested -support state agency libraries Create Tools -develop & implement on-line natural resource information search tools -upgrade on-line access to NHP -publish & distribute 3 references/guides on MT species -provide access to natural resource information
Total Cost Goal 3	\$1,656,011 1,189,320	\$466,685	
Total Core Authority & LCA Authority	\$2,122,696 1,189,320	\$466,685	
Total Biennial Funding to Obtain Goals	\$2,122,696 1,189,320	1,050,011	

*LCA - Legislative Contract Authority

5117 00 00000

HISTORICAL SOCIETY

Agency Summary

BIENNIUM BUDGET COMPARISON

Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	48.13	2.50	50.63	48.13	2.50	50.63	51.38	50.63
Personal Services	1,481,150	21,413	1,502,563	1,486,208	21,427	1,507,635	2,977,102	3,010,198
Operating Expenses	918,481	63,400	981,881	903,738	53,400	957,138	1,740,339	1,939,019
Equipment	43,742	2,000	45,742	37,742	2,000	39,742	76,695	85,484
Grants	250,000	0	250,000	250,000	0	250,000	451,289	500,000
Transfers	52,099	0	52,099	52,099	0	52,099	102,536	104,198
Debt Service	0	0	0	0	0	0	577	0
Total Costs	\$2,745,472	\$86,813	\$2,832,285	\$2,729,787	\$76,827	\$2,806,614	\$5,348,538	\$5,638,899
Fund Sources								
General Fund	1,387,248	(59,331)	1,327,917	1,372,921	(59,397)	1,313,524	2,654,920	2,641,441
State/Other Special	94,177	12,722	106,899	94,671	12,602	107,273	216,838	214,172
Federal Special	612,511	45,374	657,885	610,372	35,462	645,834	1,264,703	1,303,719
Proprietary	651,536	88,048	739,584	651,823	88,160	739,983	1,212,077	1,479,567
Total Funds	\$2,745,472	\$86,813	\$2,832,285	\$2,729,787	\$76,827	\$2,806,614	\$5,348,538	\$5,638,899

Agency Description

The Montana Historical Society (MHS), authorized in section 22-3-101, MCA, exists for the: 1) use, learning, culture, and enjoyment of the citizens of the state; and 2) acquisition, preservation, and protection of historical records, art, archival and museum objects, historical places, sites, and monuments. The society: 1) maintains a library, an art gallery, a museum, and historical exhibits; 2) publishes the state historical magazine, a newsletter, and other historical works; and 3) provides educational information. The agency also administers the National Historic Preservation Act and the State Antiquities Act.

5117 00 00000

Agency Summary

HISTORICAL SOCIETY

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	48.38	(0.25)	2.50	50.63	(0.25)	2.50	50.63	50.63
Personal Services	1,467,443	13,707	21,413	1,502,563	18,765	21,427	1,507,635	3,010,198
Operating Expenses	828,454	90,027	63,400	981,881	75,284	53,400	957,138	1,939,019
Equipment	37,213	6,529	2,000	45,742	529	2,000	39,742	85,484
Grants	141,289	108,711	0	250,000	108,711	0	250,000	500,000
Transfers	51,329	770	0	52,099	770	0	52,099	104,198
Debt Service	577	(577)	0	0	(577)	0	0	0
Total Costs	\$2,526,305	\$219,167	\$86,813	\$2,832,285	\$203,482	\$76,827	\$2,806,614	\$5,638,899
Fund Sources								
General Fund	1,343,285	43,963	(59,331)	1,327,917	29,636	(59,397)	1,313,524	2,641,441
State/Other Special	90,071	4,106	12,722	106,899	4,600	12,602	107,273	214,172
Federal Special	502,380	110,131	45,374	657,885	107,992	35,462	645,834	1,303,719
Proprietary	590,569	60,967	88,048	739,584	61,254	88,160	739,983	1,479,567
Total Funds	\$2,526,305	\$219,167	\$86,813	\$2,832,285	\$203,482	\$76,827	\$2,806,614	\$5,638,899

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

5117 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Tour Program Funding Switch	0.00	(\$22,564)	\$0	0.00	(\$22,564)	\$0
2 Personal Services Reductions	(0.75)	(3,794)	(21,439)	(0.75)	(3,746)	(21,505)
3 Microfilming Archives	0.00	5,000	5,000	0.00	5,000	5,000
4 Archival Photos & Copier	0.00	0	5,500	0.00	0	5,500
5 Binding - Rebinding	0.00	2,000	2,000	0.00	2,000	2,000
6 Personal Services Reductions	0.00	(20,036)	(20,853)	0.00	(20,108)	(20,931)
7 Governor's Mansion Tour Program	0.00	(7,286)	0	0.00	(7,286)	0
8 Exhibit Schedule Restoration	0.00	0	11,000	0.00	0	11,000
9 Photocopier Rental	0.00	0	1,900	0.00	0	1,900
10 Personal Services Reductions	0.00	(9,815)	(9,815)	0.00	(9,857)	(9,857)
11 Additional Press Editor	1.00	0	33,956	1.00	0	34,053
12 Personal Services Reductions	0.00	0	(10,714)	0.00	0	(10,745)
13 BA255 Press Editor	0.25	0	6,832	0.25	0	6,853
14 Historic Roads & Bridges Guide	0.00	0	10,000	0.00	0	0
15 BA849 Merch. Administrative Support	0.50	0	40,391	0.50	0	40,422
16 CRABS D B Mgr./Field Serv. Hist.	1.50	0	46,265	1.50	0	46,392
17 Personal Services Reductions	0.00	(2,836)	(13,210)	0.00	(2,836)	(13,255)
Totals	2.50	(\$59,331)	\$86,813	2.50	(\$59,397)	\$76,827

5117 01 00000								
HISTORICAL SOCIETY								
ADMINISTRATION PROGRAM								
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	13.25	(0.25)	(0.75)	12.25	(0.25)	(0.75)	12.25	12.25
Personal Services	382,937	6,377	(21,439)	367,875	7,507	(21,505)	368,939	736,814
Operating Expenses	295,129	30,996	0	326,125	16,970	0	312,099	638,224
Equipment	0	1,000	0	1,000	0	0	0	1,000
Total Costs	\$678,066	\$38,373	(\$21,439)	\$695,000	\$24,477	(\$21,505)	\$681,038	\$1,376,038
Fund Sources								
General Fund	562,134	30,219	(26,358)	565,995	15,700	(26,310)	551,524	1,117,519
State/Other Special	74,482	4,607	5,436	84,525	5,101	5,316	84,899	169,424
Federal Special	41,450	3,547	(517)	44,480	3,676	(511)	44,615	89,095
Total Funds	\$678,066	\$38,373	(\$21,439)	\$695,000	\$24,477	(\$21,505)	\$681,038	\$1,376,038

Program Description

The Administration Program provides supervision, administration, and coordination of the five programs in the Historical Society. Program staff are responsible for the management, planning, direction, and leadership of the society. Activities include public information, payroll/personnel, fund raising, financial reporting, business management, security, and building management. In addition, the program provides tours and travelling exhibits.

Funding

Approximately 81 percent of the Administration Program is funded with general fund. Included in this program is general fund of \$22,564 in each year of the biennium for the Capitol Tour Program. The executive has submitted a proposal to fund the Capitol Tour Program with accommodations tax. See item #1 of the "Executive New Proposals" in the Administration Program for more information on this funding switch. The remaining funding is from state special revenues (donations) and federal funds, which are the allowable indirect costs of administering federal programs.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - Personal services adjustments are the net result of: a) the elimination of a 0.5 FTE accountant in the November 1993 Special Session; b) the elimination of early retirement incentive costs; c) pay plan increases; and d) other miscellaneous changes.
- 4) Equipment - The Executive Budget includes \$1,000 in fiscal 1996 to replace a security paging amplifier.
- 5) Other - The Executive Budget includes an increase of \$3,791 in each year of the biennium for travel, repair and maintenance, and miscellaneous other expenses. These increases represent a 1.3 percent increase over fiscal 1994 expenditures.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(0.25)	\$6,377	(0.25)	\$7,507
2 Inflation/Deflation		1,060		1,900
3 Fixed Costs		26,145		11,279
<i>Other Executive Present Law Adjustments</i>				
4 Equipment		\$1,000		\$0
5 Other		3,791		3,791
<i>Total Executive Present Law Adjustments</i>	<i>(0.25)</i>	<i>\$38,373</i>	<i>(0.25)</i>	<i>\$24,477</i>

5117 01 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Tour Program Funding Switch		(\$22,564)			(\$22,564)	
2 Personal Services Reductions	(0.75)	(3,794)	(21,439)	(0.75)	(3,746)	(21,505)
Totals	(0.75)	(\$26,358)	(\$21,439)	(0.75)	(\$26,310)	(\$21,505)

Executive New Proposals

1) Tour Program Funding Switch - The executive proposes to replace general fund in the Capitol Tour Program and the Original Governor's Mansion Tour Program (#1 in "Executive New Proposals" in the Museum Program) with accommodations tax funds. The Capitol Tour Program consists of 1.25 FTE and \$22,564 per year, while the Governor's Mansion Tour Program consists of 0.5 FTE and \$7,286 per year.

LFA Issues - In fiscal 1988, the state Department of Revenue began collecting an accommodations tax. The proceeds from the tax are statutorily appropriated in section 15-65-121, MCA. This statute allocates one percent of the money to the society "for the installation or maintenance of roadside historical signs and historic sites."

The following summary shows the allocation of the accommodations tax:

Total accommodations tax collections:

Less - Cost of collections (legislative appropriation at Department of Revenue) and amount of tax paid by state of Montana

Equals - Balance to allocate as follows:

1% Montana Historical Society for installation or maintenance of roadside historical signs and historic sites;

2.5% University system for establishment and maintenance of a Montana travel research program;

6.5% FWP for the maintenance of facilities in state parks that have both resident and nonresident use; and

The balance is allocated to the Department of Commerce and local governments for tourism.

The Department of Revenue collected \$8,009,919 of accommodations tax in fiscal 1994 and is projected to collect \$8,247,757 in fiscal 1995. Revenue estimates adopted by the Revenue Oversight Committee indicate that revenue from the accommodations tax will be \$8,529,335 in fiscal 1996 and \$8,830,047 in fiscal 1997.

Two issues are raised with this proposal: a) sufficiency of the funding source; and b) appropriateness of the funding source.

As shown in Table 1, the current statutory allocation of accommodations tax to the society is not adequate to fund this proposal if all other current uses of the funds are maintained.

The Historical Society has drafted legislation that increases the portion of the accommodations tax allocated to the society. An increase in the allocation to the society will result in a decreased allocation to other programs.

According to statute, the accommodations tax allocated to the society is "to be used for the installation or maintenance of roadside historical signs and historic sites". The audit report on the society issued by the Legislative Auditor in February 1991, states that spending accommodations tax on capitol tours does not comply with section 15-65-121, MCA. The legislation drafted by the society changes the mandated use of the funds so the Capitol Tour Program and the Original Governor's Mansion Tour Program would be allowable costs of the accommodations tax.

Table 1 Accommodations Tax		
	Fiscal 1996	Fiscal 1997
Est. Acc. Tax Avail. for Hist. Signs and Sites*	\$84,423	\$87,400
Executive Request for Acc. Tax		
Signs & Sites Stat. Approp.	\$109,530	\$109,740
Capitol Tour Program Funding Switch	22,564	22,564
Gov. Mansion Tour Pgm. Funding Switch	7,286	7,286
Personal Services Reductions Admin. Pgm.	(11,318)	(11,386)
Total Executive Request	\$128,062	\$128,204
Tax Available Over (Under) Request	(\$43,639)	(\$40,804)
* As adopted by the Revenue Oversight Committee		

Legislation is also prepared upon request of the Legislative Finance Committee (LFC) to de-earmark the accommodations tax and deposit it in the general fund. Approval of this executive new proposal should be contingent on both pieces of legislation.

2) Personal Services Reduction - The executive eliminates 0.75 FTE and reduces personal services by \$21,439 in fiscal 1996 and \$21,505 in fiscal 1997. This 5.5 percent reduction was obtained by: a) reducing three 0.75 FTE positions to 0.50 FTE positions; and b) implementing vacancy savings of \$4,313 in fiscal 1996 and \$4,257 in fiscal 1997.

5117 02 00000

HISTORICAL SOCIETY			LIBRARY PROGRAM					
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	13.75	0.00	0.00	13.75	0.00	0.00	13.75	13.75
Personal Services	397,071	19,992	(20,853)	396,210	21,553	(20,931)	397,693	793,903
Operating Expenses	62,089	6,654	10,500	79,243	6,900	10,500	79,489	158,732
Equipment	18,711	(211)	2,000	20,500	(911)	2,000	19,800	40,300
Total Costs	\$477,871	\$26,435	(\$8,353)	\$495,953	\$27,542	(\$8,431)	\$496,982	\$992,935
Fund Sources								
General Fund	438,453	16,681	(13,036)	442,098	17,377	(13,108)	442,722	884,820
State/Other Special	4,497	(497)	0	4,000	(497)	0	4,000	8,000
Proprietary	34,921	10,251	4,683	49,855	10,662	4,677	50,260	100,115
Total Funds	\$477,871	\$26,435	(\$8,353)	\$495,953	\$27,542	(\$8,431)	\$496,982	\$992,935

Program Description

The Library Program acquires, organizes, preserves, and makes accessible to the public published materials, historic records and manuscripts, photographs, and oral history illustrative of the history of Montana, the surrounding region, and the Trans-Mississippi West. It also assists researchers seeking historical information.

Funding

Approximately 89 percent of the Library Program is funded with general fund. State special revenue includes \$4,000 in each year of the biennium from Teakle trust funds earmarked for the acquisition of specialized books. Proprietary fund revenue is from the sale of copies of photographs and documents.

New proposals for book binding and microfilming are funded with \$7,000 of general fund each year. The proposal for photograph storage supplies and a photocopier lease is funded with \$5,500 of proprietary funds each year. The personal services reduction proposal reduces general fund by \$20,036 in fiscal 1996 and \$20,108 in fiscal 1997, and proprietary funds by \$817 in fiscal 1996 and \$823 in fiscal 1997.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The Executive Budget includes adjustments of \$19,992 in fiscal 1996 and \$21,553 in fiscal 1997. These personal services adjustments are the net result of: a) vacancy savings; b) pay plan increases; and c) other miscellaneous changes.
- 4) Repair and Maintenance - The Executive Budget includes an additional \$4,734 each year of the biennium to provide maintenance contracts for computers, software, and microfilm readers.
- 5) Equipment - The Executive Budget includes \$18,500 in fiscal 1996 and \$17,800 in fiscal 1997 to purchase the following equipment: a) library books; b) file cabinets; c) industrial shelving; d) storage cabinets; and e) CD ROM drives. Fiscal 1994 expenditures totaled \$18,711.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$19,992		\$21,553
2 Inflation/Deflation		397		703
3 Fixed Costs		1,382		1,322
<i>Other Executive Present Law Adjustments</i>				
4 Repair and Maintenance		\$4,734		\$4,734
5 Equipment		(211)		(911)
6 Other		141		141
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$26,435</u>	<u>0.00</u>	<u>\$27,542</u>

5117 02 00000

Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Microfilming Archives		\$5,000	\$5,000		\$5,000	\$5,000
2 Archival Photos & Copier			5,500			5,500
3 Binding - Rebinding		2,000	2,000		2,000	2,000
4 Personal Services Reductions		(20,036)	(20,853)		(20,108)	(20,931)
Totals		(13,036)	(8,353)		(13,108)	(8,431)

Executive New Proposals

1) Microfilming Archives - The executive recommends a general fund increase of \$5,000 each year of the biennium to microfilm manuscripts and state records. The Historical Society contracts with the Secretary of State Records Management Bureau and other microfilming companies to provide microfilming services. The Historical Society wants to expand the volume of microfilmed documents to include systematic microfilming of manuscripts and older state records. Present law includes \$11,721 each year for microfilming, so this new proposal represents an increase of 43 percent.

2) Archival Photo Storage Supplies and Photocopier - The executive recommends a \$5,500 increase in proprietary funds each year of the biennium. The society would spend \$2,400 per year on photograph storage supplies and \$3,100 per year on a photocopier lease. The Historical Society has \$5,623 per year in present law to purchase photographic storage supplies; however, the society wants to preserve an additional 5,000 photographs each year. The cost of the photocopier will be recouped over time through charges for photocopies.

3) Binding - Rebinding - This proposal would add \$2,000 of general fund each year of the biennium to fund the binding and rebinding of 250 volumes of books and periodicals per year. The 1993 legislature appropriated \$2,000

per year in the 1995 biennium for periodical binding. These funds are not included in the present law budget because the money was spent on library books and equipment rather than for binding. In previous biennia, the society has either not had any binding done or used funds appropriated for other purposes to pay for binding and rebinding.

4) Personal Services Reduction - The executive proposes to reduce personal services by \$20,853 in fiscal 1996 and \$20,931 in fiscal 1997 by implementing a 5.0 percent vacancy savings rate.

5117 03 00000

HISTORICAL SOCIETY				MUSEUM PROGRAM				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	6.50	0.00	0.00	6.50	0.00	0.00	6.50	6.50
Personal Services	198,710	(2,416)	(9,815)	186,479	(1,578)	(9,857)	187,275	373,754
Operating Expenses	46,358	1,421	12,900	60,679	2,161	12,900	61,419	122,098
Equipment	1,440	660	0	2,100	(1,440)	0	0	2,100
Total Costs	\$246,508	(\$335)	\$3,085	\$249,258	(\$857)	\$3,043	\$248,694	\$497,952
Fund Sources								
General Fund	231,298	(358)	(17,101)	213,839	(862)	(17,143)	213,293	427,132
State/Other Special	11,092	(4)	7,286	18,374	(4)	7,286	18,374	36,748
Proprietary	4,118	27	12,900	17,045	9	12,900	17,027	34,072
Total Funds	\$246,508	(\$335)	\$3,085	\$249,258	(\$857)	\$3,043	\$248,694	\$497,952

Program Description

The Museum Program collects, preserves, and interprets the history of Montana through its material culture. The museum collects fine arts and historical, archeological, and ethnological artifacts from Montana and the general geographic region. The program interprets its collections through exhibits and educational activities.

Funding

Approximately 94 percent of the Museum Program, including 0.5 FTE tour guide at the Original Governor's Mansion, is funded with general fund. The executive has submitted a proposal to fund the Original Governor's Mansion Tour Program with accommodations tax. This proposal, along with another proposal to reduce personal services would decrease general fund support to 86 percent. See items #1 and #4 in "Executive New Proposals" in the Museum Program. Besides accommodations tax, state special revenue consists of \$11,088 in donations each year, including \$3,700 each year for modifications at the Old Governor's Mansion. Proprietary funds of \$4,145 in fiscal 1996 and \$4,127 in fiscal 1997 are from the sale of copies of photographs and documents. New proposals for exhibit restoration and photocopier rental are also funded with proprietary funds.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The Executive Budget includes negative adjustments of \$2,416 in fiscal 1996 and \$1,578 in fiscal 1997. These personal services adjustments are the net result of: a) elimination of early retirement incentive costs; and b) pay plan increases.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$2,416)		(\$1,578)
2 Inflation/Deflation		194		330
3 Fixed Costs		1,026		998
<i>Other Executive Present Law Adjustments</i>				
4 Equipment		\$660		(\$1,440)
5 Other		201		833
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>(\$335)</u>	<u>0.00</u>	<u>(\$857)</u>

4) Equipment - The Executive Budget includes \$2,100 in fiscal 1996 to purchase a computer for museum collection records. Fiscal 1994 expenditures totaled \$1,440.

5) Other - The Executive Budget includes adjustments of \$201 in fiscal 1996 and \$833 in fiscal 1997 for other services and repair and maintenance.

5117 03 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Governor's Mansion Tour Program	0.00	(\$7,286)	\$0	0.00	(\$7,286)	\$0
2 Exhibit Schedule Restoration	0.00	0	11,000	0.00	0	11,000
3 Photocopier Rental	0.00	0	1,900	0.00	0	1,900
4 Personal Services Reductions	0.00	(9,815)	(9,815)	0.00	(9,857)	(9,857)
Totals	0.00	(\$17,101)	\$3,085	0.00	(\$17,143)	\$3,043

Executive New Proposals

1) Governor's Mansion Tour Program - The executive proposes to replace general fund in the Capitol Tour Program and the Original Governor's Mansion Tour Program with accommodations tax funds. The Capitol Tour Program consists of 1.25 FTE and \$22,564 per year, while the Governor's Mansion Tour Program consists of 0.5 FTE and \$7,286 per year. For more information on this proposal, see item #1 in "Executive New Proposals" in the Administration Program.

2) Exhibit Schedule Restoration - This proposal would add \$11,000 of proprietary funds each year of the biennium to provide an additional exhibit each fiscal year. The society currently displays three permanent exhibits and two major temporary exhibits at the MHS building in Helena. The society also provides seven traveling exhibits that are displayed throughout the United States. This proposal would increase the number of traveling exhibits to eight.

The proprietary funds for this proposal are derived from fees charged for use of the traveling exhibits, and for services requested as a result of exposure to the exhibits.

3) Photocopier Rental - The executive requests \$1,900 of proprietary funds each year of the biennium to rent a photocopier. The Museum Program maintains and distributes photographs of the museum collections and provides reproduction services to the general public. In previous biennia, the Museum Program has shared a photocopier with the Library Program. The Historical Society has requested to replace the older, shared copier with two leased copiers, one in the Library Program and this copier in the Museum Program.

4) Personal Services Reduction - The executive proposes to reduce personal services by \$9,815 in fiscal 1996 and \$9,857 in fiscal 1997 by implementing a 5 percent vacancy savings rate.

5117 04 00000								
HISTORICAL SOCIETY				PUBLICATIONS				
Program Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	7.38	0.00	1.75	9.13	0.00	1.75	9.13	9.13
Personal Services	202,654	11,619	40,465	254,738	12,251	40,583	255,488	510,226
Operating Expenses	346,799	38,947	40,000	425,746	40,409	30,000	417,208	842,954
Equipment	1,500	700	0	2,200	(1,500)	0	0	2,200
Transfers	51,329	770	0	52,099	770	0	52,099	104,198
Debt Service	577	(577)	0	0	(577)	0	0	0
Total Costs	\$602,859	\$51,459	\$80,465	\$734,783	\$51,353	\$70,583	\$724,795	\$1,459,578
Fund Sources								
General Fund	51,329	770	0	52,099	770	0	52,099	104,198
Federal Special	0	0	10,000	10,000	0	0	0	10,000
Proprietary	551,530	50,689	70,465	672,684	50,583	70,583	672,696	1,345,380
Total Funds	\$602,859	\$51,459	\$80,465	\$734,783	\$51,353	\$70,583	\$724,795	\$1,459,578

Program Description

The Publications Program promotes the study of Montana history through lectures and publications. The program publishes quarterly editions of Montana the Magazine of Western History and the Montana Post, the official newsletter of the society. It also publishes books under the Montana Historical Society Press imprint and operates the retail and mail order museum store.

Funding

The general fund, budgeted as a transfer, pays a portion of personal services costs for 2.0 FTE involved in publishing Montana the Magazine of Western History. The transfer allows these funds to be spent from the proprietary account, in accordance with generally accepted accounting principles (GAAP). The magazine is not self-sustaining and past legislatures have appropriated general funds to subsidize its publication.

Federal funds include \$10,000 in fiscal 1996 to produce the historic roads and bridges guide.

Proprietary funds of \$602,219 in fiscal 1996 and \$602,113 in fiscal 1997 support the museum store, the magazine and other publications, and the Historical Society Press. New proposals for press editors, additional merchandise, and administrative support, netted with personal service reductions, require proprietary funding of \$70,465 in fiscal 1996 and \$70,583 in fiscal 1997.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The Executive Budget includes adjustments of \$11,619 in fiscal 1996 and \$12,251 in fiscal 1997. These personal services adjustments are the net result of: a) insurance for a .50 FTE not included in the fiscal 1994 base; b) two upgrades; and c) pay plan increases.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$11,619		\$12,251
2 Inflation/Deflation		1,464		2,169
3 Fixed Costs		3,482		2,837
<i>Other Executive Present Law Adjustments</i>				
4 Other Services		\$1,834		\$1,834
5 Repair and Maintenance		2,167		3,569
6 Goods Purchased for Resale		30,000		30,000
7 Equipment		700		(1,500)
8 Other		193		193
<i>Total Executive Present Law Adjustments</i>	<i>0.00</i>	<i>\$51,459</i>	<i>0.00</i>	<i>\$51,353</i>

4) Other Services - The Executive Budget includes an adjustment of \$1,834 in each year of the biennium for increases in three contracts. One contract is with a computerized subscription maintenance firm, one is with Helena Industries for magazine mailing service, and one is for various photographic services. These increases result from a combination of higher contract costs and increased usage.

5) Repair and Maintenance - The Executive Budget includes a \$2,167 adjustment in fiscal 1996 and a \$3,569 adjustment in fiscal 1997 for maintenance contracts on a desk-top publishing system, computers, printers, and a computerized cash register.

6) Goods Purchased for Resale - The Executive Budget includes a \$30,000 adjustment in each year of the biennium for magazine promotions. The increased cost is funded with proprietary funds from subscriptions to Montana magazine.

7) Equipment - The Executive Budget includes \$2,200 in fiscal 1996 to purchase a computerized merchandise cash register for use in the museum store. Fiscal 1994 expenditures totaled \$1,500.

Executive New Proposals

1) Press Editor - This proposal provides \$33,956 of proprietary fund appropriation authority in fiscal 1996 and \$34,053 in fiscal 1997 to create a full-time, grade 15, editor position. The person in this position would edit and proofread manuscripts and prepare them for printing. The number of books published and reprinted by MHS Press is expected to increase from four in the 1995 biennium to eight in the 1997 biennium.

This proposal would be funded with profits from the MHS store operation and from sales of additional books produced.

2) Personal Services Reduction - The executive proposes to reduce personal services by \$10,714 in fiscal 1996 and \$10,745 in fiscal 1997 by implementing a 5 percent vacancy savings rate.

5117 04 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Additional Press Editor	1.00	\$0	\$33,956	1.00	\$0	\$34,053
2 Personal Services Reductions	0.00	0	(10,714)	0.00	0	(10,745)
3 BA255 Press Editor	0.25	0	6,832	0.25	0	6,853
4 Historic Roads & Bridges Guide	0.00	0	10,000	0.00	0	0
5 BA849 Merch. Administrative Support	0.50	0	40,391	0.50	0	40,422
Totals	1.75	\$0	\$80,465	1.75	\$0	\$70,583

3) BA255 Press Editor - Over the biennium this proposal would add \$13,685 of proprietary funds and 0.25 FTE to the 0.50 FTE press editor position. This position provides desk-top publishing for magazines and books, is responsible for coordinating the production of various projects, and assists with marketing various publications. This proposal continues a budget amendment added during fiscal 1994.

4) Historic Roads and Bridges Guide - The executive recommends the addition of \$10,000 of federal funds in fiscal 1996 to finalize the "Historic Roads and Bridges Guide." MHS entered an agreement with the Montana Department of Transportation (DOT) in fiscal 1994. DOT agreed to provide \$18,000 to the society for research, writing, and preparation of a guidebook on the impact of roads and bridges on the economic, geographic and social development of Montana. A budget amendment was authorized in fiscal 1994 for \$8,000 to provide funding for the writing and preparation of the guide. This proposal requests authority for the remaining \$10,000 to provide funding for the actual printing of the document. The guide includes maps and keys of historic trails, roadways, and bridges.

5) BA849 Merchandise Administrative Support - This proposal provides \$80,813 of proprietary fund appropriation authority over the biennium to: a) expand an administrative support position by 0.5 FTE; and b) purchase additional goods for resale.

The 0.5 FTE is a grade eight position requested to meet demands of increased sales in both the merchandise and publications programs. This request would make a current half-time position a full-time FTE.

Of the total request, \$60,000 will be used to purchase additional goods for resale in the merchandise program as a result of increased store and telephone sales.

HISTORICAL SOCIETY
Program Summary**HISTORICAL SITES PRESERVATION**

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	7.50	0.00	1.50	9.00	0.00	1.50	9.00	9.00
Personal Services	286,071	(21,865)	33,055	297,261	(20,968)	33,137	298,240	595,501
Operating Expenses	78,079	12,009	0	90,088	8,844	0	86,923	177,011
Equipment	15,562	4,380	0	19,942	4,380	0	19,942	39,884
Grants	141,289	108,711	0	250,000	108,711	0	250,000	500,000
Total Costs	\$521,001	\$103,235	\$33,055	\$657,291	\$100,967	\$33,137	\$655,105	\$1,312,396
Fund Sources								
General Fund	60,071	(3,349)	(2,836)	53,886	(3,349)	(2,836)	53,886	107,772
Federal Special	460,930	106,584	35,891	603,405	104,316	35,973	601,219	1,204,624
Total Funds	\$521,001	\$103,235	\$33,055	\$657,291	\$100,967	\$33,137	\$655,105	\$1,312,396

Program Description

The Historical Sites Preservation Program administers the federal Historic Preservation Act and the federal grants-in-aid for historic preservation. Staff review all proposed federally-funded projects within the state to determine their affect on properties listed or eligible for listing in the National Register of Historic Places. The office certifies historic structures and rehabilitation projects for federal tax credits authorized in the Tax Reform Act of 1976, and oversees the Montana State Antiquities Act. The program awards federal grants to local governments, private entities, and individuals in two areas: 1) the certified local government program; and 2) survey and planning.

Funding

Approximately 8 percent of the Historical Sites Preservation program is funded with general fund. The budgeted federal funds are from the National Park Service.

The new proposal for a data base manager and a field survey historian is funded with federal funds. The executive recommendation to reduce personal services reduces general fund by \$2,836 each year and reduces federal funds by \$10,374 in fiscal 1996 and \$10,419 in fiscal 1997.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The Executive Budget includes negative adjustments in personal services in fiscal 1996 and fiscal 1997. These adjustments are the net result of three factors: a) insurance for a 0.5 FTE was not included in the fiscal 1994 base; b) 1.5 FTE are included in the fiscal 1994 base but are considered new proposals in the 1997 biennium (see item #1 in "Executive New Proposals" in the Historical Site Preservation Program); and c) pay plan increases.

4) Repair and Maintenance - The Executive Budget includes adjustments of \$1,220 in fiscal 1996 and \$2,590 in fiscal 1997 for maintenance contracts for computers, printers, and fax machines.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$21,865)		(\$20,968)
2 Inflation/Deflation		1,078		1,590
3 Fixed Costs		9,711		4,664
<i>Other Executive Present Law Adjustments</i>				
4 Repair and Maintenance		\$1,220		\$2,590
5 Equipment		4,380		4,380
6 Grants from Federal Sources		108,711		108,711
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$103,235</u>	<u>0.00</u>	<u>\$100,967</u>

5) Equipment - The Executive Budget includes \$19,942 in each year of the biennium to purchase the following equipment: a) cabinet, table, scale, typewriter, and bookcases; b) computers; c) microfiche reader/printer; d) scanner; e) file cabinets, conference table and chairs; f) global positioning system (plot and map sites); g) VCR and stand; and h) photocopier. Fiscal 1994 expenditures totaled \$15,562.

6) Grants from Federal Sources - The Executive Budget includes a \$108,711 adjustment in each year of the biennium for federal grants. This program receives a National Park Service grant, which the program administers and regrants to individuals, organizations, or local governments for historic site preservation purposes. This adjustment reflects the estimated increase in federal funds for the program.

5117 06 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 CRABS D B Mgr./Field Serv. Hist.	1.50	\$0	\$46,265	1.50	\$0	\$46,392
2 Personal Services Reductions	0.00	(2,836)	(13,210)	0.00	(2,836)	(13,255)
Totals	1.50	(\$2,836)	\$33,055	1.50	(\$2,836)	\$33,137

Executive New Proposals

1) CRABS Data Base Manager and Field Survey Historian - This proposal would add federal funds of \$46,265 in fiscal 1996 and \$46,392 in fiscal 1997 to fund a 0.5 FTE, grade 12 information systems technician and a 1.0 FTE, grade 14 field survey archaeologist/historian. The part-time information systems technician would work with the Cultural Resource Annotated Bibliography System (CRABS). A field survey archaeologist/historian would conduct archaeological site and historic district surveys throughout Montana.

Funding for these FTE was appropriated in the "other services" expenditure category by the 1993 legislature. MHS, with the approval of the Office of Budget and Program Planning, transferred these funds to personal services and created 1.5 FTE during the 1995 biennium. Expenditures for these FTE are reflected in the 1994 base budget in personal services.

2) Personal Services Reduction - The executive proposes to reduce personal services by \$13,210 in fiscal 1996 and \$13,255 in fiscal 1997 by implementing a 5 percent vacancy savings rate. Funding for this proposal is \$2,836 general fund each year; the remainder is federal funds.

6401 00 00000								
CORRECTIONS & HUMAN SERVICES			BIENNIUM BUDGET COMPARISON					
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	1,873.30	66.20	1,939.50	1,873.05	(7.07)	1,865.98	1,877.30	1,865.98
Personal Services	63,204,811	1,789,430	64,994,241	63,585,963	(243,574)	63,342,389	123,589,145	128,336,630
Operating Expenses	24,281,580	4,954,981	29,236,561	25,458,529	6,977,545	32,436,074	41,652,888	61,672,635
Equipment	1,249,706	909,450	2,159,156	978,052	293,965	1,272,017	2,087,704	3,431,173
Capital Outlay	44,872	0	44,872	31,500	0	31,500	802,260	76,372
Grants	17,094,504	3,724,852	20,819,356	17,490,724	4,275,268	21,765,992	19,781,310	42,585,348
Transfers	0	0	0	0	0	0	403,495	0
Debt Service	71,679	16,000	87,679	71,679	16,000	87,679	210,615	175,358
Total Costs	\$105,947,152	\$11,394,713	\$117,341,865	\$107,616,447	\$11,319,204	\$118,935,651	\$188,527,417	\$236,277,516
Fund Sources								
General Fund	89,154,437	8,610,605	97,765,042	90,209,723	7,763,432	97,973,155	155,198,506	195,738,197
State/Other Special	6,199,503	548,454	6,747,957	6,276,529	535,705	6,812,234	12,718,390	13,560,191
Federal Special	6,533,200	396,023	6,929,223	6,998,907	438,707	7,437,614	11,856,954	14,366,837
Proprietary	4,060,012	1,839,631	5,899,643	4,131,288	2,581,360	6,712,648	8,753,567	12,612,291
Total Funds	\$105,947,152	\$11,394,713	\$117,341,865	\$107,616,447	\$11,319,204	\$118,935,651	\$188,527,417	\$236,277,516

Agency Description

The Department of Corrections and Human Services (DCHS), authorized in section 2-15-2301, MCA, is directed in section 53-1-201, MCA, to "utilize at maximum efficiency the resources of state government in a coordinated effort to: 1) develop and maintain comprehensive services and programs in the fields of adult corrections, mental health, and chemical dependency; 2) provide inpatient institutional care for developmentally disabled persons who require that care according to the requirements of Title 53, chapter 20 (MCA); and 3) provide nursing home care for honorably discharged veterans as provided by law."

The department's five programs are: 1) Central Operations, including the administratively attached Board of Pardons; 2) Corrections, which includes Montana State Prison (MSP) in Deer Lodge, Swan River Correctional Training Center (SRCTC), the Women's Correctional Center (WCC) in Billings, and community programs; 3) Mental Health, which includes Montana State Hospital (MSH) in Warm Springs, Center for the Aged (CFA) in Lewistown, and community programs; 4) Chemical Dependency; and 5) Special Services, which includes the Montana Developmental Center (MDC) in Boulder, Eastmont Human Services Center (EHSC) in Glendive, Montana Veterans' Home (MVH) in Columbia Falls and Eastern Montana Veterans' Home (EMVH) in Glendive.

6401 00 00000								
CORRECTIONS & HUMAN SERVICES								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	1,882.05	(8.75)	66.20	1,939.50	(9.00)	(7.07)	1,865.98	1,865.98
Personal Services	59,941,589	3,263,222	1,789,430	64,994,241	3,644,374	(243,574)	63,342,389	128,336,630
Operating Expenses	20,140,743	4,140,837	4,954,981	29,236,561	5,317,786	6,977,545	32,436,074	61,672,635
Equipment	1,122,631	127,075	909,450	2,159,156	(144,579)	293,965	1,272,017	3,431,173
Capital Outlay	32,260	12,612	0	44,872	(760)	0	31,500	76,372
Grants	9,649,116	7,445,388	3,724,852	20,819,356	7,841,608	4,275,268	21,765,992	42,585,348
Transfers	182,280	(182,280)	0	0	(182,280)	0	0	0
Debt Service	65,363	6,316	16,000	87,679	6,316	16,000	87,679	175,358
Total Costs	\$91,133,982	\$14,813,170	\$11,394,713	\$117,341,865	\$16,482,465	\$11,319,204	\$118,935,651	\$236,277,516
Fund Sources								
General Fund	76,253,700	12,900,737	8,610,605	97,765,042	13,956,023	7,763,432	97,973,155	195,738,197
State/Other Special	5,817,009	382,494	548,454	6,747,957	459,520	535,705	6,812,234	13,560,191
Federal Special	5,281,204	1,251,996	396,023	6,929,223	1,717,703	438,707	7,437,614	14,366,837
Proprietary	3,782,069	277,943	1,839,631	5,899,643	349,219	2,581,360	6,712,648	12,612,291
Total Funds	\$91,133,982	\$14,813,170	\$11,394,713	\$117,341,865	\$16,482,465	\$11,319,204	\$118,935,651	\$236,277,516

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 BOP - Passenger Car Purchase	0.00	\$16,000	\$16,000	0.00	\$0	\$0
2 Postage Meter/Mailing Machine	0.00	1,934	1,934	0.00	384	384
3 BOP Board & Staff Training	0.00	3,750	3,750	0.00	3,750	3,750
4 Early Return to Work/Safety Program	0.00	160,000	160,000	0.00	160,000	160,000
5 ISB Programming Staff	3.00	52,317	119,861	4.00	54,609	127,526
6 Equipment Lease/Copiers	0.00	16,000	16,000	0.00	16,000	16,000
7 AS/400 Operating Upgrade	0.00	22,175	22,175	0.00	22,175	22,175
8 Program 10 Vehicle Lease	0.00	(14,296)	(14,296)	0.00	1,959	1,959
9 Personal Services Reductions	0.00	(21,586)	(21,586)	0.00	(21,586)	(21,586)
10 Prison Laundry Equipment	0.00	80,745	80,745	0.00	0	0
11 MSP/Laundry	0.00	257,150	257,150	0.00	257,150	257,150
12 Industries High Side Laundry	8.00	0	446,028	8.00	0	521,028
13 Women's Correctional System	4.00	141,898	191,898	4.00	142,333	192,333
14 MSP/Relief Factor for CO'S	19.00	503,142	503,142	19.00	504,875	504,875
15 Community Program Enhancements	11.00	1,122,726	1,122,726	11.00	937,252	937,252
16 MSP/Infirmary	7.00	196,816	196,816	7.00	197,500	197,500
17 Expand Swan River Boot Camp	9.00	279,667	279,667	9.00	324,135	324,135
18 Regional Prisons/County Jails	0.00	0	0	0.00	810,000	810,000
19 Swan River Boot Transition	0.00	270,840	270,840	0.00	270,100	270,100
20 Additional Industry Authority	6.00	91,306	1,225,073	6.00	91,306	1,940,202
21 Corrections/New Equipment	0.00	368,276	449,476	0.00	104,800	142,600
22 Community Programs	17.00	2,543,188	2,680,488	17.00	2,679,051	2,816,351
23 Add'l Sex Offender Treatment	0.00	41,600	41,600	0.00	41,600	41,600
24 Program 20 Vehicle Lease	0.00	(365,188)	(365,188)	0.00	(64,537)	(64,537)
25 CD Services-Corrections	6.00	102,318	253,318	6.00	0	196,102
26 Corr. Div. Institution Group	2.00	362,976	362,976	2.00	370,611	370,611
27 Replace Crane/Truck Tractors	0.00	0	110,000	0.00	100,000	205,000
28 Personal Services Reductions	(18.50)	(625,425)	(625,425)	(18.50)	(627,568)	(627,568)
29 Toyota Tech. Education	1.00	0	68,636	1.00	0	68,636
30 Community Services/SED Youth	1.40	3,084,325	3,084,325	2.00	3,108,580	3,108,580
31 Housing/Crisis Intervention	0.00	316,250	316,250	0.00	866,250	866,250
32 Sex Offender Treatment	0.00	105,534	105,534	0.00	114,202	114,202
33 Professional Staff Training	0.00	21,000	21,000	0.00	21,000	21,000
34 Center for the Aged Physician	0.50	69,171	69,171	0.50	69,513	69,513
35 Discontinue CFA Canteen	0.00	0	(2,541)	0.00	0	(2,541)
36 Program 30 Vehicle Lease	0.00	(10,765)	(10,765)	0.00	(6,895)	(6,895)
37 Personal Services Reductions	(13.00)	(209,525)	(209,525)	(13.00)	(211,397)	(211,397)
38 Personal Services Reduction	(2.50)	(260,291)	(260,291)	(2.50)	(260,574)	(260,574)
39 MHSIP Implementation	2.75	0	135,000	2.75	0	135,000
40 After Care Coordinator	1.00	0	38,476	1.00	0	38,594
41 Program 40 Vehicle Lease	0.00	0	0	0.00	0	(4,874)
42 CD Community Treatment	0.00	0	377,053	0.00	0	377,469
43 Personal Services Reductions	(3.50)	0	(122,680)	(3.50)	0	(123,209)
44 MVH-Additional Nurse Aides	4.20	0	97,325	4.20	0	97,654
45 MVH-OBRA Software	0.00	0	16,000	0.00	0	0
46 EHSC Vocational Pgm	2.25	56,448	56,448	2.25	55,624	55,624
47 Program 50 Vehicle Lease	0.00	(27,501)	(27,501)	0.00	(10,458)	(10,458)
48 Personal Services Reductions	0.00	0	0	(5.00)	(32,692)	(32,692)
49 FTE Target Reduction	0.00	0	0	(17.30)	(694,590)	(694,590)
50 Personal Services Reductions	(1.40)	(132,870)	(132,870)	(1.40)	(132,946)	(132,946)
51 EHSC Closure-Direct Care	0.00	0	0	(28.59)	(727,630)	(727,630)
52 EHSC-Closure Non-Direct Care	0.00	(9,500)	(9,500)	(23.98)	(770,454)	(770,454)
Totals	66.20	\$8,610,605	\$11,394,713	(7.07)	7,763,432	11,319,204

Other LFA Issues

1) Vehicle Lease - The executive recommends a proposal to lease vehicles through the state Department of Transportation (DOT). The four agencies involved in the proposal are DCHS, Department of Revenue, Department of Labor and Industry, and Department of Family Services. Under this proposal, the state motor pool would manage the vehicles, provide maintenance, and arrange for fuel. The motor pool would charge each agency a per mile rental rate. This recommendation is based on the premise that it is less costly and more efficient to lease the vehicles through the motor pool than it is for the agencies to purchase the vehicles themselves.

This proposal provides the department with 35 vehicles in fiscal 1996 and increases the number to 48 in fiscal 1997. Table 1 shows the net difference between the cost to purchase vehicles compared with the cost to lease vehicles. The negative amounts in the lease column are the net of: a) eliminating funds to purchase vehicles; b) reducing gasoline and maintenance costs; and c) adding funds to lease vehicles. For discussion on program specific leases, see "Executive New Proposals" in the program listed.

Table 1 Vehicle Lease Program						
Program	Fiscal 1996		Fiscal 1997		Net FY 96	Net FY 97
	Purchase	Lease	Purchase	Lease		
Central Operations*	\$16,000	(\$14,296)		\$1,959	\$1,704	\$1,959
Corrections Division**	390,900	(365,188)	127,700	(64,537)	25,712	63,163
Mental Health*	15,400	(10,765)	16,800	(6,895)	4,635	9,905
Chemical Dependency***	0	0	10,100	(4,874)	0	5,226
Special Services***	32,400	(27,501)	17,400	(10,458)	4,899	6,942
Total	\$454,700	(\$417,750)	\$172,000	(\$84,805)	\$36,950	\$87,195
*Purchase is in NP						
**Purchase in both PL & NP						
***Purchase is in PL						

The net cost to DCHS is \$36,950 in fiscal 1996 and \$87,195 in fiscal 1997 compared to \$454,700 in fiscal 1996 and \$172,000 in fiscal 1997 to purchase the same number of vehicles.

As indicated in the table, some of the purchased vehicles are in present law, some are in new proposals, and some are in both. If the legislature approves this proposal, they may wish to direct the LFA to make the adjustments necessary to eliminate the vehicle purchases.

The legislature may wish to consider this proposal contingent on the approval of the proposal in the DOT budget to purchase the vehicles.

6401 10 00000								
CORRECTIONS & HUMAN SERVICES				CENTRAL OPERATIONS				
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	45.00	0.00	3.00	48.00	0.00	4.00	49.00	49.00
Personal Services	1,508,925	100,393	65,595	1,674,913	107,636	95,060	1,711,621	3,386,534
Operating Expenses	968,841	610,391	126,118	1,705,350	476,932	126,973	1,572,746	3,278,096
Equipment	6,411	(6,411)	96,125	96,125	(6,411)	72,175	72,175	168,300
Debt Service	60,683	10,596	16,000	87,279	10,596	16,000	87,279	174,558
Total Costs	\$2,544,860	\$714,969	\$303,838	\$3,563,667	\$588,753	\$310,208	\$3,443,821	\$7,007,488
Fund Sources								
General Fund	2,478,248	591,363	236,294	3,305,905	486,036	237,291	3,201,575	6,507,480
State/Other Special	37,646	92,786	33,773	164,205	79,105	36,459	153,210	317,415
Federal Special	1,556	11	33,771	35,338	(1,556)	36,458	36,458	71,796
Proprietary	27,410	30,809	0	58,219	25,168	0	52,578	110,797
Total Funds	\$2,544,860	\$714,969	\$303,838	\$3,563,667	\$588,753	\$310,208	\$3,443,821	\$7,007,488

Program Description

Central Operations includes the Director's Office, Management Services, and the administratively attached Board of Pardons. The Director's Office is responsible for: 1) department management and planning; 2) legal, personnel, and labor relations support services; and 3) administrative support for the Board of Pardons. Management Services is responsible for: 1) the department's budgeting, accounting, reimbursement, and data processing services; and 2) providing budgeting and management assistance to individual institutions. It bills and collects revenue generated by the department, including medicaid, medicare, insurance, private payments, and Veterans' Administration reimbursements.

The Board of Pardons (BOP), located in Deer Lodge, is responsible for the release of inmates on parole and furlough. It reviews all requests for executive clemency and makes recommendations to the Governor. The board consists of three regular members and one auxiliary member, appointed by the Governor with the advice and consent of the Senate. By statute, at least one member must have particular knowledge of Indian culture and problems. Members receive \$50 per day plus travel expenses for days spent performing board duties. Statutory authority for the board is found in sections 2-15-2302 and 46-23-104, MCA.

Funding

Approximately 93 percent of the Central Operations Program is funded with general fund. The remainder of the funding is from other sources within the department. Assessments are made on other sources to fund agency-wide functions such as fixed costs (including audit) and programming.

The following funds are allocated for fixed costs: 1) general fund of \$969,759 in fiscal 1996 and \$977,045 in fiscal 1997; 2) earmarked alcohol tax of \$73,396 in fiscal 1996 and \$74,051 in fiscal 1997; 3) cigarette tax for MVH of \$42,560 in fiscal 1996 and \$42,700 in fiscal 1997; and 4) MSP proprietary funds of \$52,290 in fiscal 1996 and \$52,578 in fiscal 1997.

General fund includes a biennial appropriation of \$120,556 in fiscal 1996 for legislative audit costs. Other biennial appropriations for legislative audit costs in fiscal 1996 include: 1) earmarked alcohol tax of \$5,914; 2) cigarette tax revenue of \$6,539; 3) MSP and MSH canteen funds of \$2,023; 4) federal mental health funds of \$1,567; and 5) MSP proprietary funds of \$5,929.

New proposals are 100 percent general fund except the ISB Programming proposal that includes other funds as well. This proposal would provide services department-wide and funding is allocated among sources, including alcohol tax, cigarette tax, canteen funds, and federal block grants.

Table 2 shows FTE and funding for each of the divisions in Central Operations.

Table 2 Central Operations FTE and Funding by Program										
Program	FTE	Fiscal 1996				FTE	Gen. Fund	Fiscal 1997		
		Gen. Fund	State Fund	Fed/Other	Total			State Fund	Fed/Other	Total
Director's Office	12.00	\$633,001			\$633,001	12.00	\$635,957			\$635,957
Management Services Division	28.00	2,213,494	130,432	59,786	2,403,712	28.00	2,103,890	116,751	52,578	2,273,219
Board of Pardons	5.00	223,116			223,116	5.00	224,437			224,437
Total Present Law	45.00	3,069,611	130,432	59,786	3,259,829	45.00	2,964,284	116,751	52,578	3,133,613
New Proposals	3.00	236,294	33,773	33,771	303,838	4.00	237,291	36,459	36,458	310,208
Total	48.00	\$3,305,905	\$164,205	\$93,557	\$3,563,667	49.00	\$3,201,575	\$153,210	\$89,036	\$3,443,821

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$100,393		\$107,636
2 Inflation/Deflation		1,177		1,877
3 Fixed Costs		672,501		538,342
<i>Other Executive Present Law Adjustments</i>				
4 Other Services		(\$59,967)		(\$59,967)
5 Equipment		(6,411)		(6,411)
6 Leases		10,596		10,596
7 Other		(3,320)		(3,320)
<i>Total Executive Present Law Adjustments</i>	0.00	\$714,969	0.00	\$588,753

The executive increases present law for the Central Operations Program by \$714,969 in fiscal 1996 and \$588,753 in fiscal 1997, due primarily to increases in fixed costs charged by other state agencies. The increase totals 28 percent in fiscal 1996 and 23 percent in fiscal 1997 over the fiscal 1994 base. Approximately 94 percent of the increase is funded with general fund.

- 1) Personal Services - Personal services adjustments are the net result of: a) pay plan increases; b) miscellaneous upgrades due to reclassification and changes in duties; and c) the elimination of early retirement incentive costs.
- 3) Fixed Costs - Fixed costs increase by \$672,501 in fiscal 1996 and \$538,342 in fiscal 1997 primarily due to increases in insurance, payroll costs and network fees. The department experienced a 75 percent increase in fixed costs over the fiscal 1994 base.
- 4) Other Services - The Executive Budget includes negative adjustments of \$59,967 in each year of the biennium. These adjustments are primarily the result of: a) a one time expenditure in fiscal 1994 for the Novell Netware Master Licensing Agreement for Technical Planning, as the Department of Administration pays for the licensing agreement in the 1997 biennium; and b) a contract with Vocational Resources Incorporated (VRI) for a safety program. VRI safety program expenditures are included in the fiscal 1994 base. However, since the executive wishes to expand the safety program, the request for the 1997 biennium is in a new proposal.
- 5) Equipment - The executive does not provide any equipment authority for Central Operations. The department spent \$6,411 on equipment in fiscal 1994.
- 6) Leases - The executive includes an adjustment of \$10,596 in each year of the biennium for the lease of an AS/400 computer processor. This upgrade is due to the expanding data base needs of the department.

6401 10 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 BOP - Passenger Car Purchase	0.00	\$16,000	\$16,000	0.00	\$0	\$0
2 Postage Meter Mailing Machine	0.00	1,934	1,934	0.00	384	384
3 BOP Board & Staff Training	0.00	3,750	3,750	0.00	3,750	3,750
4 Early Return to Work/Safety Program	0.00	160,000	160,000	0.00	160,000	160,000
5 ISB Programming Staff	3.00	52,317	119,861	4.00	54,609	127,526
6 Equipment Lease/Copiers	0.00	16,000	16,000	0.00	16,000	16,000
7 AS/400 Operating Upgrade	0.00	22,175	22,175	0.00	22,175	22,175
8 Program 10 Vehicle Lease	0.00	(14,296)	(14,296)	0.00	1,959	1,959
9 Personal Services Reductions	0.00	(21,586)	(21,586)	0.00	(21,586)	(21,586)
Totals	3.00	\$236,294	\$303,838	4.00	\$237,291	\$310,208

Executive New Proposals

The executive increases the present law budget by almost 10 percent with nine new proposals. Almost all costs are funded with general fund.

1) BOP - Passenger Car Purchase & 8) Program 10 Vehicle Lease - The Executive Budget provides \$16,000 general fund in fiscal 1996 for the BOP to purchase a passenger car. The BOP is located in Deer Lodge and staff travels to: a) SRCTC in Swan Lake; b) pre-release centers in Missoula, Billings, Great Falls, and Butte; c) WCC in Billings; and d) administrative meetings in Helena. The board currently owns one car and leases a vehicle from the Department of Transportation (DOT). The budget also includes a proposal to lease a vehicle from DOT. If the lease proposal is approved, the vehicle will not be purchased. The cost of the lease is \$1,704 in fiscal 1996 and \$1,959 in fiscal 1997.

The executive recommends this proposal for several programs within the department. Refer to "Other LFA Issues" in the agency summary for a department-wide discussion.

2) Postage Meter/Mailing Machine - The Executive Budget includes \$1,934 of general fund in fiscal 1996 and \$384 of general fund in fiscal 1997 for the BOP to purchase a mailing machine and rent a postage meter head. The mailing machine includes an electronic scale and would increase staff efficiency in mail processing. BOP processes between 450 and 500 pieces of mail per month and the executive includes \$5,464 each year in present law for postage and mailing.

3) BOP Board & Staff Training - The executive provides \$3,750 of general fund each year to allow training for board members and staff. Training would include sending the chairman of the board to an annual national BOP chairman meeting and training for staff provided by the American Corrections Association (ACA). The executive present law includes \$275 each year for education/training costs for the BOP.

4) Early Return to Work/Safety Program - The Executive Budget includes \$160,000 general fund each year to continue implementation of a safety program. The department has operated a State Fund certified safety program since fiscal 1993. State Fund certification results in a 5 percent reduction in workers' compensation rates. This is a department-wide safety program and will be implemented through a contract with Vocational Resources, Inc. of Missoula. The executive includes \$100,000 for program costs, \$10,000 for travel, and \$50,000 for safety equipment.

5) ISB Programming Staff - The Executive Budget includes 3.0 FTE and \$119,861 in fiscal 1996 and 4.0 FTE and \$127,526 in fiscal 1997 to provide staff and funding to perform computer programming for the department. This proposal is funded with 44 percent general fund, 28 percent state special revenue (alcohol tax, cigarette tax, and canteen funds), and 28 percent federal funds. Programming requests include: a) updates to the American Corrections Information System (ACIS) regarding classification changes; b) updates to the management information system (MIS) which is used to monitor reimbursements; c) updates to comply with medicare/medicaid regulations; d) changes to the resident account system; and e) changes to the supply inventory management system.

6) Equipment Lease/Copiers - The executive provides \$16,000 general fund each year for the department to lease two photocopiers. These leased machines would replace the two machines currently owned by the department.

7) AS/400 Operating Upgrade - The Executive Budget includes \$22,175 general fund each year to provide operating system upgrades for the AS/400 line of computers. IBM has provided operating system upgrades at no charge, but DCHS anticipates that IBM will soon begin to charge a fee for these upgrades. Upgrades are necessary to enhance capabilities and to retain continuity of technical support from IBM.

DCHS has not received official notice that IBM will charge for these services. The department estimates that the cost will be 15 percent of the value of the installed software.

9) Personal Services Reductions - The executive reduces personal services \$21,586 each year by implementing a vacancy savings rate of 1.3 percent in each year of the biennium. The Central Operations Program overspent its personal services budget in fiscal 1994 by almost \$123,000.

6401 20 0000

CORRECTIONS & HUMAN SERVICES				CORRECTIONS				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	597.96	(7.75)	71.50	661.71	(8.00)	71.50	661.46	661.46
Personal Services	20,026,603	1,302,088	2,181,369	23,510,060	1,426,195	2,296,981	23,749,779	47,259,839
Operating Expenses	11,917,109	2,142,270	4,525,572	18,584,951	2,747,142	6,536,489	21,200,740	39,785,691
Equipment	780,188	190,926	843,025	1,814,139	(763)	269,900	1,049,325	2,863,464
Capital Outlay	32,260	12,612	0	44,872	(760)	0	31,500	76,372
Grants	20,946	0	0	20,946	0	0	20,946	41,892
Debt Service	3,287	(2,887)	0	400	(2,887)	0	400	800
Total Costs	\$32,780,393	\$3,645,009	\$7,549,966	\$43,975,368	\$4,168,927	\$9,103,370	\$46,052,690	\$90,028,058
Fund Sources								
General Fund	27,840,433	3,570,114	5,372,035	36,782,582	4,040,114	6,138,608	38,019,155	74,801,737
State/Other Special	840,037	78,507	187,300	1,105,844	78,498	187,300	1,105,835	2,211,679
Federal Special	345,264	(250,746)	151,000	245,518	(273,736)	196,102	267,630	513,148
Proprietary	3,754,659	247,134	1,839,631	5,841,424	324,051	2,581,360	6,660,070	12,501,494
Total Funds	\$32,780,393	\$3,645,009	\$7,549,966	\$43,975,368	\$4,168,927	\$9,103,370	\$46,052,690	\$90,028,058

Program Description

The Corrections division develops and administers an integrated corrections program for adults. Programs include: 1) administration; 2) the medical program; 3) community corrections; 4) Swan River; 5) WCC; and 6) MSP.

The administration program coordinates all corrections activities. The medical program pays non-institutional medical, optometry, dental, and laboratory costs for all corrections programs. It also funds security officers for hospitalized inmates.

Community corrections includes probation, parole, intensive supervision programs, house arrest, local jurisdiction sentencing options which provide alternatives to prison, and pre-release centers. The pre-release centers provide educational and work opportunities under close supervision. The department contracts with non-profit corporations in Great Falls, Butte, Missoula, and Billings for men's pre-release services (207 beds) and in Butte and Billings for women's pre-release services (32 beds).

A boot camp at Swan River, authorized in Title 53, section 30, MCA, is a new correctional program that replaces the Swan River Forest Camp. Major components of this new program are: 1) work, physical activity and conditioning, and good health practices; 2) counseling and treatment programs; 3) a written explanation of program goals signed by prospective enrollees; and 4) a maximum enrollment period of 120 days.

WCC is a minimum to medium security facility for female offenders, which provides treatment, work, education, and recreation. House Bill 685 allows the department to "continue to operate the women's correctional center in a temporary location during the 1994-95 biennium." DCHS temporarily operated WCC at the Warm Springs campus until October 1994 when the center was moved to the old Rivendell facility in Billings.

MSP, authorized in section 53-30-101, MCA, is a low, medium, and maximum security facility for the custody, treatment, training, and rehabilitation of adult male offenders. The six prison programs are Care and Custody, Canteen, Ranch and Dairy, Industries, Industries Training, and the License Plate Factory.

Funding

Funding for the Corrections Division is primarily (84 percent) general fund. State special revenues are: 1) MSP and SRCTC canteen funds of \$860,031 in fiscal 1996 and \$860,022 in fiscal 1997; 2) \$8,513 each year for donations at WCC; and 3) \$50,000 each year of inmate welfare funds for inmate pay increases. Federal funds each year are: 1) \$13,224 each year for adult basic education and the school lunch program at SRCTC; 2) \$74,138 in fiscal 1996 and \$51,148 in fiscal 1997 of education grants at MSP; and 3) \$7,156 each year of miscellaneous federal grants at WCC. Proprietary funds are for the prison ranch, industries, and industries training programs.

New proposals increase: 1) general fund by \$5,372,035 in fiscal 1996 and \$6,138,608 in fiscal 1997; 2) state special revenue by \$187,300 each year; 3) federal funds by \$151,000 in fiscal 1996 and \$196,102 in fiscal 1997; and 4) proprietary funds by \$1,839,631 in fiscal 1996 and \$2,581,360 in fiscal 1997.

Table 3 shows the FTE and funding for the Corrections Division.

Table 3 Corrections Division FTE and Funding by Program									
Program	FTE	Gen. Fund	Fiscal 1996		Total	FTE	Gen. Fund	Fiscal 1997	
			State Fund	Fed/Other				State Fund	Fed/Other
Administration	4.5	\$573,102			\$573,102	4.50	\$576,884		
Corr. Medical	0.0	1,905,884			1,905,884	0.0	2,257,197		
Prison					0				
Care/Custody	387.11	\$17,654,172	\$50,000		\$17,704,172	387.11	\$17,719,400	\$50,000	
Canteen	0.0		842,975		842,975	0.00		842,966	
Ranch/Dairy	12.75			2,077,606	2,077,606	12.75			2,112,365
Industries	9.25			1,679,425	1,679,425	9.25			1,721,583
Ind. Training	4.00	232,272		243,660	475,932	4.00	216,240		243,660
License Plate	2.00	505,188			505,188	2.00	551,604		
Total Prison	415.11	\$18,391,632	\$892,975	\$4,000,691	\$23,285,298	415.11	\$18,487,244	\$892,966	\$4,077,608
Swan Boot Camp	19.50	\$1,077,556	\$17,056	\$13,224	\$1,107,836	19.50	\$994,098	\$17,056	\$13,224
Women's Corrections	33.35	1,645,896	8,513	8,258	1,662,667	33.35	1,654,464	8,513	8,258
Community Services	117.75	7,816,477		74,138	7,890,615	117.50	7,910,660		51,148
Total Present Law	590.21	\$1,410,547	\$18,544	\$4,096,311	\$36,425,402	589.96	\$31,880,547	\$18,535	\$4,150,238
New Proposals	71.50	\$5,372,035	\$187,300	\$1,990,631	\$7,549,966	71.50	\$6,138,608	\$187,300	\$2,777,462
Total Funding	661.71	\$36,782,582	\$1,105,844	\$6,086,942	\$43,975,368	661.46	\$38,019,155	\$1,105,835	\$6,927,700

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The executive increases present law in the Corrections Program by \$3.6 million in fiscal 1996 and \$4.2 million in fiscal 1997, an increase of approximately 11 percent in each year over the fiscal 1994 base. Approximately 97 percent of this increase is general fund.

1) Personal Services - Personal service adjustments are the net result of: a) elimination of 10.0 FTE at MSP in fiscal 1995 by the 1993 legislature; b) addition of 2.25 federally funded FTE; c) vacancy savings; d) elimination of early retirement incentive costs; e) pay plan increases; f) miscellaneous upgrades due to reclassification and changes in duties; g) funding for potential reclassifications/upgrades of positions by the State Personnel Division; and h) funding for overtime, differential, and holidays worked.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$1,302,088		\$1,426,195
2 Inflation/Deflation		317,112		560,000
3 Fixed Costs		(1,901)		(1,901)
<i>Other Executive Present Law Adjustments</i>				
4 Medical Contract		\$412,679		\$625,412
5 Pre-Release Contract		810,837		887,172
6 WCC Additional Costs		306,700		306,700
7 Weed Control		57,095		57,095
8 MSP Canteen Sales		103,558		103,558
9 Equipment		190,926		(763)
10 Other		145,915		205,459
<i>Total Executive Present Law Adjustments</i>	<i>0.00</i>	<i>\$3,645,009</i>	<i>0.00</i>	<i>\$4,168,927</i>

LFA Issue - The executive includes general fund of \$486,581 each year in anticipation that Department of Administration (DOA) Personnel Division will authorize the reclassification of grade 10 correctional officers to grade 11. DCHS is currently updating the position description for the correctional officer position, which will be reviewed by DOA Personnel Division staff and either approved or disapproved.

At this time, it is not known if the reclassification will be approved. If the request for reclassification is not approved, DCHS personal services will be overstated by \$486,581 each year. The legislature may wish to make any appropriation for this purpose contingent upon the outcome of DOA's action.

2) **Inflation** - The increase in inflation is primarily due to inflation on medical services, supplies and materials, and utilities.

4) **Medical Contract** - The executive provides \$412,679 in fiscal 1996 and \$625,412 in fiscal 1997 for a contract to purchase medical services outside the scope of the MSP Infirmary. These services will be managed through a contract with Blue Cross/Blue Shield of Montana. The department pays provider rates for services provided by member physicians.

5) **Pre-Release Contract** - The executive includes \$810,837 in fiscal 1996 and \$887,172 in fiscal 1997 for room and board contracts with privatized pre-release centers. The department operated two pre-release centers in fiscal 1994: a) the Women's Life Skills Center (WLSC) in Billings; and b) the Missoula pre-release center for men. In addition, the department contracted with non-profit corporations in Great Falls, Butte, and Billings for men's pre-release services and in Butte for women's pre-release services.

DCHS privatized the women's pre-release center on April 1, 1994 and the men's center on June 1, 1994. The Executive Budget provides: a) \$2.8 million each year to contract with non-profit corporations to operate mens' pre-release centers in Billings, Missoula, Great Falls, and Butte; b) \$637,279 in fiscal 1996 and \$637,862 in fiscal 1997

to contract for women's pre-release centers in Billings and Butte; and c) \$67,478 in fiscal 1996 and \$143,515 in fiscal 1997 to provide 2 and 4 percent increases respectively, for these contracts.

Since the pre-release centers are privatized, the executive proposes eliminating 18.5 FTE and \$486,353 in fiscal 1996 and \$488,496 in fiscal 1997, as explained in the new proposals section. If the legislature approves the proposal to eliminate the FTE, the net result of this privatization is: a) DCHS still provides the same pre-release facilities throughout the state; b) there are 18.5 fewer FTE in each year of the 1997 biennium; and c) the net cost for the pre-release centers increases by \$324,484 between fiscal 1994 and 1996 and \$398,676 between fiscal 1994 and fiscal 1997.

6) WCC Additional Costs - The executive includes \$306,700 each year to provide for contracts to obtain chaplain services, food service, laundry services, and psychiatrist and psychologist services for the WCC in Billings; services were obtained from MSH when the WCC was located in Warm Springs.

Total funding for WCC, including present law and new proposals, increases approximately 47 percent over fiscal 1994 expenditures, when the center was located on the MSH campus. Fiscal 1994 expenditures totaled \$1.3 million, while the executive includes funding of \$1.9 million each year of the 1997 biennium. In addition to this increase of over \$300,000 each year for services no longer provided by MSH, the executive includes two new proposals totaling over \$191,000 each year to increase staff, provide employment, and operate a canteen (specifics of the proposals are discussed in the "Executive New Proposals" in this program).

7) Weed Control - The executive includes \$57,095 each year to provide chemicals to control: a) knapweed, leafy spurge, and other weeds on crop and range lands on the prison ranch; and b) gophers and grasshoppers on prison ranch lands.

8) MSP Canteen Sales - The Executive Budget includes an adjustment of \$103,558 in each year of the biennium. This increase provides authority for additional sales in the MSP canteen relative to higher population projections.

9) Equipment - The executive adjusts equipment by \$190,926 in fiscal 1996 and by negative \$763 in fiscal 1997. The Executive Budget includes \$971,114 in fiscal 1996 and \$779,425 in fiscal 1997 for equipment. The Corrections Division HB 2 equipment appropriation was \$1,221,417 for the 1995 biennium. The executive provides a 24 percent increase over the fiscal 1994 base for division equipment during the 1997 biennium. The executive proposes to lease some vehicles that would be purchased in this adjustment. For a further discussion, see "Executive New Proposals" in this program.

10) Other - The Executive Budget includes adjustments of \$145,915 in fiscal 1996 and \$205,459 in fiscal 1997. These adjustments are primarily the net result of: a) increased costs for aluminum and scotchlite for the license plate factory; and b) repair and maintenance costs for more computers due to recent automation.

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Executive Budget New Proposals						
New Proposal	Fiscal 1996			FTE	Fiscal 1997	
	FTE	General Fund	Total Funds		General Fund	Total Funds
1 Prison Laundry Equipment	0.00	\$80,745	\$80,745	0.00	\$0	\$0
2 MSP/Laundry	0.00	257,150	257,150	0.00	257,150	257,150
3 Industries High Side Laundry	8.00	0	446,028	8.00	0	521,028
4 Women's Correctional System	4.00	141,898	191,898	4.00	142,333	192,333
5 MSP/Relief Factor For CO'S	19.00	503,142	503,142	19.00	504,875	504,875
6 Community Program Enhancements	11.00	1,122,726	1,122,726	11.00	937,252	937,252
7 MSP/Infirmary	7.00	196,816	196,816	7.00	197,500	197,500
8 Expand Swan River Boot Camp	9.00	279,667	279,667	9.00	324,135	324,135
9 Regional Prisons/County Jails	0.00	0	0	0.00	810,000	810,000
10 Swan River Boot Transition	0.00	270,840	270,840	0.00	270,100	270,100
11 Additional Industry Authority	6.00	91,306	1,225,073	6.00	91,306	1,940,202
12 Corrections/New Equipment	0.00	368,276	449,476	0.00	104,800	142,600
13 Community Programs	17.00	2,543,188	2,680,488	17.00	2,679,051	2,816,351
14 Add'tl Sex Offender Treatment	0.00	41,600	41,600	0.00	41,600	41,600
15 Program 20 Vehicle Lease	0.00	(365,188)	(365,188)	0.00	(64,537)	(64,537)
16 CD Services-Corrections	6.00	102,318	253,318	6.00	0	196,102
17 Corr. Div. Institution Group	2.00	362,976	362,976	2.00	370,611	370,611
18 Replace Crane/Truck/Tractors	0.00	0	110,000	0.00	100,000	205,000
19 Personal Services Reductions	(18.50)	(625,425)	(625,425)	(18.50)	(627,568)	(627,568)
20 Toyota Tech Education	1.00	0	68,636	1.00	0	68,636
Totals	71.50	\$5,372,035	\$7,549,966	71.50	\$6,138,608	\$9,103,370

Executive New Proposals

NOTE: Related new proposals are grouped together in the narrative that follows, therefore reference numbers are not consecutive.

Laundry Program

The 1993 legislature authorized funding to build a laundry facility at MSP. The department anticipates that the facility will be complete in May, 1995 and will be operational at the beginning of fiscal 1996. The laundry is to be a new industry serving MSH, MDC, and MSP. In previous biennia, MSH provided laundry services for itself and MSP. Rather than update equipment at MSH, the executive eliminates 13.0 FTE at MSH and 5.0 FTE at MDC, adds contracting authority for MSH, MDC, and MSP to contract with MSP Industries for laundry services, and provides funding to equip the laundry facility at the prison. The following three new proposals provide equipment, general fund authority to purchase laundry services from the industries program, and proprietary funding to operate and staff the laundry facility.

Besides providing this laundry program, the executive includes \$5,000 in present law each year to provide laundry services to WCC in Billings.

1) Prison Laundry Equipment - The Executive Budget includes \$80,745 of general fund in fiscal 1996 to purchase laundry equipment. Equipment includes: a) a truck for transporting laundry to MSH, MDC, and MCDC; b) two shuttle vehicles and carts; c) office furniture and equipment; and d) computers and printers.

2) MSP - Laundry - The executive recommends \$257,150 of general fund each year of the 1997 biennium to contract with the new prison industries laundry program to provide laundry services to MSP.

3) Industries High Side Laundry - The executive provides \$446,028 in fiscal 1996 and \$521,028 in fiscal 1997 of proprietary fund authority to operate the MSP Industries Laundry program. This proposal provides funding for 8.0 FTE: 1.0 foreman (grade 15), 4.0 supervisors (grade 13), 1.0 fluoroscope supervisor (grade 13), 1.0 correctional officer (grade 13), 1.0 truck driver (grade 10), inmate pay, and operating expenses.

Table 4
MSP Industries Laundry Program
Summary of Executive Proposal

Description	FTE		*****Fiscal 1996*****			*****Fiscal 1997*****		
	FY 1996	FY 1997	General Fund	Proprietary Funds	Total Funds	General Fund	Proprietary Funds	Total Funds
One-Time Expenditures/Savings								
Laundry Equipment			\$80,745		\$80,745			
On-Going Expenditures								
MSH PS Reduction	-13.00	-13.00	(\$355,449)		(\$355,449)	(\$357,321)		(\$357,321)
MSH Operating Reductions			(45,452)		(45,452)	(45,452)		(45,452)
MSH Laundry Contract			191,376		191,376	191,376		191,376
MDC PS Reduction		-5.00				(133,772)		(133,772)
MDC Operating Reductions						(41,000)		(41,000)
MDC Laundry Contract						142,080		142,080
MSP Laundry			257,150		257,150	257,150		257,150
Industries High Side Laundry	8.00	8.00		446,028	446,028		521,028	521,028
Total On-Going Expenditures	-5.00	-10.00	\$47,625	\$446,028	\$493,653	\$13,061	\$521,028	\$534,089
Total One-Time & On-Going Exp.	-5.00	-10.00	\$128,370	\$446,028	\$574,398	\$13,061	\$521,028	\$534,089

Table 4 summarizes the executive proposal for the prison industries laundry program. As shown in the table, the proposal results in a net decrease of 5.0 FTE in fiscal 1996 and 10.0 FTE in fiscal 1997. The impact to general fund beginning in fiscal 1997 (after one-time costs in fiscal 1996 are eliminated) is about \$13,000. Total funds increase \$574,398 in fiscal 1996 and \$534,089 in fiscal 1997. The size of this increase is primarily because Prison Industries will need a proprietary account to expend the funds paid by MSH and MDC. General fund represents 22 percent of the increase in fiscal 1996 and 2 percent of the increase in fiscal 1997. The rest of the increase is for proprietary funds.

4) Women's Correctional System - The Executive Budget includes \$191,898 in fiscal 1996 and \$192,333 in fiscal 1997 to provide program and security needs at the new Women's Correctional Center (WCC) in Billings. This proposal provides general fund of \$124,218 in fiscal 1996 and \$124,653 in fiscal 1997 for 4.0 FTE: two correctional officers, one unit manager, and one case manager. The increase in staff will allow WCC to transport inmates to various community services and to increase visitation time for inmates.

The executive includes \$17,680 general fund in each year to provide employment for inmates. These funds allow for two full-time (2,080 hours), \$4.25 per hour positions. These positions are for select inmates identified by the

department that should not be allowed employment opportunities in the community. The executive also includes \$50,000 of state special revenue each year to allow WCC to operate a canteen.

The funding in this proposal is provided in addition to approximately \$300,000 each year the executive includes in present law to provide chaplain services, food service, laundry and mental health services that were previously obtained through MSH.

5) MSP/Relief Factor for Correctional Officers - The executive includes general fund of \$503,142 in fiscal 1996 and \$504,875 in fiscal 1997 to hire 19.0 FTE correctional officers. The executive recommends the addition of these FTE to provide security coverage 24 hours per day.

The executive calculated 19.0 FTE based on the current number of correctional officers and the average number of hours per year correctional officers are actually available to perform their duties. This proposal allows for 24 hour coverage of necessary posts under the unit management system.

Community Corrections Expansion

The Corrections Division population continues to increase, both at MSP and in community corrections. This increase is due to a combination of factors, although it is primarily because more people are committed to DCHS than are released.

Currently, DCHS has one probation and parole officer per 87 offenders. The regional average is one officer per 72 offenders, with a range of one per 47 offenders in South Dakota and one per 90 offenders in Washington. The cost per day of parolees is approximately \$2, compared to a cost of \$40 per day per inmate. The probation and parole population grows at about 300 people per year.

This expansion will provide more probation and parole officers, operating costs and equipment. The following two proposals include funding for 28.0 FTE probation and parole staff and the purchase of 163 pre-release beds. For a further discussion, see "Other LFA Issues" in this program.

6) Community Program Enhancements - The executive provides general fund of \$1,122,726 in fiscal 1996 and \$937,252 in fiscal 1997 to provide enhancements to community programs. This proposal includes: a) \$365,692 in fiscal 1996 and \$366,981 in fiscal 1997 for 11.0 FTE probation and parole officers; b) \$41,591 in fiscal 1996 and \$53,471 in fiscal 1997 for operating costs; c) \$197,923 in fiscal 1996 for computers, office equipment and vehicles; d) \$110,000 each year for mental health/sexual offender counseling and treatment; e) \$72,000 each year for urinalysis testing at pre-release centers; f) \$263,520 in fiscal 1996 and \$262,800 in fiscal 1997 to provide day reporting centers at pre-release centers; and g) \$72,000 each year to continue an offender job training program.

13) Community Programs - The Executive Budget includes \$2,680,488 in fiscal 1996 and \$2,816,351 in fiscal 1997 to increase correctional services in community settings. The majority of the request is general fund, while \$137,300 per year is the probation and parole supervisory fee assessed on probation and parole violators.

The executive proposes to: a) purchase an additional 163 pre-release beds at \$32 per day; b) pay a \$5 per day transition rate during the first 20 days an offender is in a pre-release center; c) provide urine analysis testing; d) contract with local jails to incarcerate parole violators; and e) add 10.0 FTE probation and parole officers and 7.0 FTE administrative support positions along with equipment and operating funds for probation and parole.

The following table shows the cost of each component of the community corrections proposals.

Table 5
Community Corrections Expansion

Description of Services	Community Pgm. Enhancements			Community Programs			Total Community Corrections		
	FTE	FY 1996	FY 1997	FTE	FY 1996	FY 1997	FTE	FY 1996	FY 1997
Personal Services	11.00	\$365,692	\$366,981	17.00	\$474,115	\$475,757	28.00	\$839,807	\$842,738
Other Services:									
Mental Health/Sex. Offender Counseling		\$110,000	\$110,000					\$110,000	\$110,000
Urinalysis Testing		72,000	72,000		20,000	20,000		92,000	92,000
Day Reporting Centers		263,520	262,800					263,520	262,800
Offender Job Training Program		72,000	72,000					72,000	72,000
Purchase 163 Pre-release Beds					1,532,646	1,918,440		1,532,646	1,918,440
Transition Rate - \$5/day first 20 days					93,719	105,607		93,719	105,607
Local Jail Incarcerations					80,000	80,000		80,000	80,000
Sub-Total Other Services		517,520	516,800		1,726,365	2,124,047		2,243,885	2,640,847
Operations		41,591	53,471		142,050	166,547		183,641	220,018
Equipment		197,923			337,958	50,000		535,881	50,000
Total	11.00	\$1,122,726	\$937,252	17.00	\$2,680,488	\$2,816,351	28.00	\$3,803,214	\$3,753,603

7) MSP Infirmary - The Executive Budget includes general fund of \$196,816 in fiscal 1996 and \$197,500 in fiscal 1997 to fund 7.0 FTE in the MSP infirmary. The 7.0 FTE consist of: a) two Registered Nurses; b) one Licensed Practical Nurse; c) one Ward Clerk; d) one Infirmary Aide; e) one Dietician; and f) one Dental Hygienist.

There are currently six registered nurses and six licensed practical nurses staffing the infirmary. The department contracts for a part-time medical director to manage policy, paperwork, and quality assurance. Also under contract are three medical doctors that provide a total of 15 hours per week of direct care.

According to an evaluation of health care services at MSP performed by Joseph Rowan under contract with the National Institute of Corrections, "medical services at MSP are grossly understaffed".

Swan River Boot Camp Expansion

In addition to expanding community correction services to meet demands of increased inmate populations, the executive proposes to expand services at Swan River Correctional Training Center. The previous legislature authorized the establishment of a boot camp at Swan River for offenders convicted of certain felonies. The 90 to 120 day program involves strict military discipline, regimentation, and physical fitness while incorporating an intense structured treatment program. The department projects the cost per day per inmate or "trainee" to be approximately \$60 during the 1997 biennium. This total is down from over \$80 per day in fiscal 1994 when start-up costs were incurred and the average daily population (ADP) was lower.

The following Swan River expansion proposals provide for additional and female staff at the facility and for a transitional program to integrate the trainees back into the community.

8) Expand Swan River Boot Camp - The executive provides general fund of \$279,667 in fiscal 1996 and \$324,135 in fiscal 1997 to expand the SRCTC by 9.0 FTE. DCHS would add eight drill instructors and one administrative support position. The additional staff would allow DCHS to: a) increase the number of male trainees from 30 in fiscal 1995 to 40 by the end of fiscal 1997; b) remodel and provide facilities to create a female program; and c) increase FTE to provide a relief factor for drill instructors and add female officers for the female component of the program.

10) Swan River Boot Transition - The Executive Budget includes general fund of \$270,840 in fiscal 1996 and \$270,100 in fiscal 1997 to provide an aftercare program in Great Falls for trainees completing the Swan River Boot Camp program. The aftercare will focus on integration of trainees into the community and may last from one to sixty days,

depending on the individuals' needs. A total of 20 beds at \$37 per day is projected, with 5 of the beds used to provide a transitional program facility for women.

LFA Issue - Since the SRCTC boot camp has only been operating since July 1993, the department does not have reliable statistics to substantiate the success of the program in reducing recidivism. As of the end of October 1994, SRCTC had 166 admissions (12 readmissions), 68 graduations (4 returned to MSP), 64 returned to MSP without completing the program, and 32 remained in the program. The legislature may wish to ask the department to provide additional information during the legislative session, as it becomes available, before this additional investment of funds is made.

9) Regional Prisons/County Jails - The executive proposes to finance the development of four regional prisons during the 1997 biennium. In cooperation with local governments, the department would add a wing with 50 to 80 medium security beds to an existing facility or a facility under construction. Funding for construction is provided in \$9 million of bonded debt and \$4 million of federal funds included in the executive long range building program. Once these medium security facilities are constructed, the executive proposes to contract with the local government to house state inmates at the facility for approximately \$40 per day.

Cascade County voters recently approved a \$10 million bond issue to construct a new jail in Cascade County. The funding requested in long range building would add a wing to this facility to house state inmates. In addition to Cascade County, the department is considering Billings, Missoula, and Glendive for other facilities.

In the DCHS budget, the executive requests \$810,000 of general fund in fiscal 1997 to pay the room and board costs of inmates to be housed in the regional prisons.

The legislature may wish to appropriate this funding contingent on the LRB committee's approval of the construction bonding. Additionally, since the executive has not provided a detailed explanation of this proposal, including information on building ownership and contractual agreements between the state and the counties, the legislature may wish to make funding contingent upon review of the final proposal.

11) Additional Industry Authority - The Executive Budget includes general fund and proprietary fund appropriation authority of \$1,225,073 in fiscal 1996 and \$1,940,202 in fiscal 1997 to add 6.0 FTE, to provide vocational training for high security inmates, and to expand operations for all industries programs. Table 6 identifies funding and expenditure categories.

The general fund in this proposal would provide vocational training in the high security compound. The remainder of the proposal would allow expansion in the regular industries program, the industries training program and ranch industries.

Table 6 Prison Industries Additional Authority		
Description	Fiscal 1996	Fiscal 1997
General Fund		
2.0 FTE High Side Vocational Training Teachers	\$70,771	\$71,022
Operating Supplies	20,535	20,284
Subtotal	91,306	91,306
Proprietary Funds		
4.0 FTE Industries Shop Supervisors	\$132,979	\$133,447
Industries Operating Costs	779,967	1,406,879
Inmate Pay	125,821	213,570
Vocational Training Operating Supplies	95,000	95,000
Subtotal	1,133,767	1,848,896
Total	\$1,225,073	\$1,940,202

Equipment

DCHS spent \$788,146 on equipment in the Corrections program in fiscal 1994 and is appropriated \$571,407 in fiscal 1995. The executive present law for the Corrections Division includes \$971,114 in fiscal 1996 and \$779,425 in fiscal 1997. Actual equipment expenditures in fiscal 1992 were \$726,495. Therefore, these proposals represent a significant increase in equipment expenditures.

12) Corrections/New Equipment - The executive recommends \$368,276 of general fund and \$81,200 of proprietary funds in fiscal 1996, and \$104,800 of general fund and \$37,800 of proprietary funds in fiscal 1997 to purchase equipment.

18) Replace Crane/Truck/Tractors - The executive requests proprietary funds of \$110,000 in fiscal 1996 and \$105,000 in fiscal 1997, and \$100,000 of general fund in fiscal 1997 to replace various equipment at the Prison Ranch. Equipment purchases would include a tractor, a loader, a crane, a refrigerator truck, a loader tractor and a delivery truck.

14) Additional Sexual Offender Treatment - The Executive Budget includes general fund of \$41,600 each year to expand the MSP sex offender treatment program. The department would contract with two therapists that are certified by the Montana Sex Offender Treatment Association (MSOTA) to provide sex offender treatment at MSP.

Approximately 425 sex offenders reside at MSP. DCHS has a sex offender program in place at MSP and each phase has a waiting list. The executive proposes to provide more sex offender treatment services, which in turn will increase the number of inmates completing the program and becoming eligible for parole.

15) Program 20 Vehicle Lease - The executive recommends a proposal to lease vehicles through the state Department of Transportation (DOT). The executive proposal for the Corrections Division results in net reductions of \$365,188 in fiscal 1996 and \$64,537 in fiscal 1997. The decrease is due to: a) budget reductions for gasoline and maintenance, as both are included in the lease; and b) elimination of funding to purchase vehicles. These decreases are netted against lease costs of \$45,161 in fiscal 1996 and \$87,049 in fiscal 1997.

The executive recommends this proposal for several programs within the department. For further discussion see "Other LFA Issues" at the agency level.

16) CD Services - Corrections - The executive recommends general fund of \$102,318 and federal funds of \$151,000 in fiscal 1996 and \$196,102 in fiscal 1997 to expand chemical dependency treatment services at MSP, SRCTC, and WCC. This program includes 10.0 FTE, four of which are in present law. The executive requests funding for 5.0 FTE, grade 13, substance abuse counselors and 1.0 FTE, grade 8, administrative support position. The intensive counseling and education components of this program will be located at MSP, with one outpatient counselor at SRCTC and one at WCC. For further discussion, see "Other LFA Issues" in this program.

17) Corrections Div. Institution Group - The executive requests general fund of \$362,976 in fiscal 1996 and \$370,611 in fiscal 1997 to: a) provide 2.0 FTE to the MSP records department for increased workload; b) provide in-service training to Corrections Division personnel; and c) provide for garbage disposal.

A recent court decision allows that "good time" may have been earned prior to 1982. The executive provides 2.0 FTE costing approximately \$40,500 each year to review inmate files and determine the accuracy of "good time" records. The legislature may wish to specify that the department will not request the FTE as part of present law in the 1999 biennium.

The executive includes \$300,000 each year to provide training to Corrections Division staff. Executive present law for the Corrections Division includes approximately \$31,600 each year for education and training costs.

Due to new mandates in solid waste and environmental laws, the department closed MSP landfill. The prison will use the Powell County landfill at a cost of \$22,500 in fiscal 1996 and \$30,000 in fiscal 1997.

19) Personal Services Reduction - The Executive Budget reduces personal services by \$625,425 in fiscal 1996 and \$627,568 in fiscal 1997. This reduction results from: a) elimination of 18.5 FTE through privatization of pre-release centers; and b) imposition of \$139,072 of vacancy savings each year. The vacancy savings equates to a rate of approximately 0.65 percent each year. This program incurred a 2.9 percent vacancy savings rate in fiscal 1994.

LFA Issue - There are no actual savings as a result of the elimination of FTE, as the executive includes over \$800,000 each year in contracts to operate the pre-release centers.

20) Toyota Tech Education - The Executive Budget includes proprietary funds of \$68,636 each year to allow the prison industries vocational training program to continue the Toyota technical education program started in fiscal 1994 through a budget amendment. This proposal provides funding for operating expenses and 1.0 FTE to supervise the program. All costs incurred plus about a 20 percent markup are reimbursed by Toyota.

Other LFA Issues

1) Prison Population - The following table shows the corrections average daily population (ADP) since fiscal 1990. The population increases an average of 6.9 percent each year. The lowest increase, 1.7 percent, occurred between fiscal 1992 and 1993; and the highest increase, 15.2 percent, between fiscal 1994 and 1995 to date. (This percent could change in the remainder of the fiscal year.) Between fiscal 1994 and fiscal 1997, the department projects the corrections population will increase 30.4 percent.

Table 7 Corrections Division Population Average Daily Population (ADP) by Year								
Program	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	Projected** FY 1995	Projected** FY 1996	Projected** FY 1997
MSP	1,097	1,140	1,192	1,181	1,189	1,298	1,189	1,189
SRCTC	52	57	55	44	29	48	52	61
WCC	53	58	63	54	42	48	42	42
Pre-release	133	145	140	188	220	283	431	481
ISP*	29	43	45	54	77	117	190	202
Regional Jail Facilities	0	0	0	0	0	0	0	56
Total Division	1,364	1,443	1,495	1,521	1,557	1,794	1,904	2,031
% Increase over Preceding Year		5.8%	3.6%	1.7%	2.4%	15.2%	6.1%	6.7%
% Increase FY 1990 to FY 1994		14.0%						
% Increase FY 1990 to FY 1997**		48.9%						
% Increase FY 1994 to FY 1997**		30.4%						
*Intensive Supervision Program								
**Projected								

The legislature has worked with the executive branch of government during every legislative session over the last decade to find solutions to the continually rising corrections population. Similar solutions have been proposed each biennium. Every legislature since at least the 1985 session has approved some type of community corrections

expansion. Until the 1993 session, the legislature also increased staff and operating costs to manage the escalating population within MSP.

The 1991 legislature enacted the Montana Community Corrections Act to: a) provide more community corrections as an alternative to more costly prison expansions; and b) reduce the population at MSP to avoid long-term capital construction costs. As shown in Table 7, the population continued to increase.

The 1993 legislature included the following language in HB 2:

The legislature directs the department to work toward limiting the number of prisoners at Montana state prison to 850 inmates. Item (Corrections) includes an appropriation sufficient to maintain that number of inmates.

In addition to reducing the appropriation at MSP to reflect the lower ADP and corresponding staff requirements, the 1993 legislature authorized significant funding increases to provide community corrections for the inmates released from MSP. The additional community corrections services included 21.5 FTE probation and parole officers and 205 pre-release beds. Additionally, the 1993 legislature converted Swan River (Correctional Training Center) into a boot camp.

As shown in Table 7, the fiscal 1994 ADP at MSP is 1,189 and the projected ADP for fiscal 1995 is 1,298, or well above the projected ADP of 850, although the department did implement procedures during the last biennium in an attempt to reach the 850 population level. (When the population did not decrease as expected, the department was forced to transfer funds among programs to pay the costs of maintaining the larger than anticipated population.) The table also shows that the executive anticipates a slight decrease in inmates at MSP in the 1997 biennium. The executive assumes that, with the exception of inmates who would be placed in new regional jails, all additional ADP would go to community corrections.

EXECUTIVE RESPONSE

The Executive Budget for the 1997 biennium includes over \$7.8 million of present law adjustments in the corrections division. These adjustments include increases for privatized pre-release centers, medical costs, and various treatment/therapy contracts. The executive also includes over \$16.6 million during the biennium for new proposals in this division. Over \$11.4 million of the new proposals result from population increases. These proposals include community corrections expansions, more correctional officers and treatment services within MSP, and increased capacity. The following table shows a summary of new proposals resulting from increased population.

Table 8 Corrections Division Increases*			
Description	Fiscal 1996	Fiscal 1997	Biennial Total
Present Law	\$3,645,009	\$4,168,927	\$7,813,936
New Proposals			
1) Community Corrections			
Community Pgm. Enhancements	\$1,122,726	\$937,252	\$2,059,978
Community Programs	2,680,488	2,816,351	5,496,839
Expand Swan River Boot Camp	279,667	324,135	603,802
Swan River Boot Transition	270,840	270,100	540,940
2) Treatment Services			
CD Services - Corrections	\$253,318	\$196,102	\$449,420
Additional Sex Offender Treatment	41,600	41,600	83,200
3) Increased Capacity			
Regional Prisons/County Jails		\$810,000	\$810,000
MSP/Relief Factor for COs	503,142	504,875	1,008,017
MSP/Infirmary	196,816	197,500	394,316
Total New Proposals - Population Inc.	\$5,348,597	\$6,097,915	\$11,446,512
Other New Proposals	2,201,369	3,005,455	5,206,824
Total New Proposals	\$7,549,966	\$9,103,370	\$16,653,336
Total Increase - Corrections Division	\$11,194,975	\$13,272,297	\$24,467,272
*Does not include costs to build regional jails requested in long-range building.			

Community Corrections

ADP in community corrections would increase from 5,067 in fiscal 1994 to 6,278 in fiscal 1996, and to 6,845 in fiscal 1997. In its plan to reduce MSP population to 850 inmates, the department realized that some of the inmates in community corrections would fail and return to MSP. However, it did not consider that, since the community corrections population was absorbing the majority of population growth, the failures, in actual number of inmates, would increase. If, as proposed in the executive budget, community corrections are expanded even more, readmissions due to failure in the community system will likely increase, also. The department has addressed this failure rate through expanded treatment programs.

Treatment Programs

The department anticipates that increased treatment services to MSP inmates will help reduce the community corrections failure rate. The executive proposes to expand chemical dependency and sex offender treatment services in an effort to rehabilitate more inmates and increase the number of inmates released into community corrections.

According to Montana Corrections, an LFA report issued in September 1994, substance abusers are twice as likely to be readmitted to prison following release as those with no substance abuse history, using fiscal 1990 releases as a data base. The study included inmates who received substance abuse treatment and those who did not receive treatment. Surprisingly, data showed that those who had treatment were more than twice as likely to return to prison as those who had no treatment. However, the sample was too limited to draw a firm conclusion. Two scenarios may explain the data: a) inmates treated at the prison are hard-core substance abusers or reluctant participants, for whom

the court has ordered treatment and who have a potentially larger failure rate; and b) those who are not treated at the prison are treated in the communities with somewhat greater success rates.

The study also suggested that these conclusions may be in error because a limited number of re-admissions were analyzed. The legislature may wish to request that DCHS track a controlled sample of released inmates with similar risks of substance abuse to evaluate the success of prison and community chemical dependency programs, as measured by the rate of return to prison.

Increased Capacity

The department plans to maintain the population at MSP at the fiscal 1994 level. However, a portion of the increase in the corrections population will not be appropriate for community corrections, and additional prison space will be required. In addition to expanding the population at SRCTC, the executive requests the LRB committee to authorize \$9 million of bonded debt to build four regional jails. The Executive Budget for DCHS Corrections Division includes a new proposal for \$810,000 in fiscal 1997 to contract with these regional jails to provide board and room for state prisoners. As shown in the population table, the executive estimates an ADP of 56 offenders in regional jails in fiscal 1997. The executive has not yet entered into any formal agreements with counties. However, voters in Great Falls have approved financing for a new facility.

To summarize, the executive plans to maintain current population at MSP by: a) expanding community corrections; b) increasing treatment programs to reduce failure rates of those in community corrections and the prison; and c) increasing jail capacity by participating in joint building programs with counties and leasing jail space.

The legislature may wish to consider the following questions when addressing the executive response to population growth:

- 1) Does the current corrections inmate profile indicate there are a sufficient number of persons who would be appropriate for community corrections at an acceptable level of public safety?
- 2) Will treatment programs result in a reduction in the community corrections failure rate sufficient to maintain the MSP population?
- 3) Because no formal agreements with counties have been made, should the legislature assume the facilities will be constructed? If failure rates in community corrections continue at current rates, where will the additional inmates be housed?
- 4) If the regional jails are constructed, are they adequate to absorb any additional population? Is additional regional jail space a timely option?

The legislature may also wish to consider a further point. The department projects fiscal year end populations based on statistical programs that consider current demographics and laws. Changes in good time allowance and truth-in-sentencing statutes will likely result in higher population projections.

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CORRECTIONS & HUMAN SERVICES				MENTAL HEALTH				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	635.92	0.00	(10.85)	625.07	0.00	(10.25)	625.67	625.67
Personal Services	20,962,573	905,671	(402,897)	21,465,347	1,038,760	(380,138)	21,621,195	43,086,542
Operating Expenses	3,798,639	1,020,439	307,056	5,126,134	1,602,581	332,277	5,733,497	10,859,631
Equipment	171,946	(81,039)	(3,800)	87,107	(81,039)	(16,800)	74,107	161,214
Grants	7,293,551	7,143,106	3,347,799	17,784,456	7,539,326	3,897,799	18,730,676	36,515,132
Transfers	82,280	(82,280)	0	0	(82,280)	0	0	0
Debt Service	906	(906)	0	0	(906)	0	0	0
Total Costs	\$32,309,895	\$8,904,991	\$3,248,158	\$44,463,044	\$10,016,442	\$3,833,138	\$46,159,475	\$90,622,519
Fund Sources								
General Fund	30,626,721	7,964,444	3,115,699	41,706,864	8,608,476	3,700,679	42,935,876	84,642,740
State/Other Special	161,736	(11,443)	(2,541)	147,752	(11,436)	(2,541)	147,759	295,511
Federal Special	1,521,438	951,990	135,000	2,608,428	1,419,402	135,000	3,075,840	5,684,268
Total Funds	\$32,309,895	\$8,904,991	\$3,248,158	\$44,463,044	\$10,016,442	\$3,833,138	\$46,159,475	\$90,622,519

Program Description

The Mental Health division includes: 1) administrative operations; 2) MSH; 3) CFA; and 4) community based services provided primarily in partnership with private, non-profit mental health centers with regional headquarters in Miles City, Billings, Great Falls, Missoula, and Helena. The purpose of this division, as defined in section 53-21-101, MCA, is to: 1) secure care and treatment for the seriously mentally ill; 2) provide treatment in a community-based setting when possible; 3) provide treatment in an institution when necessary; and 4) assure that due process of law is accorded any person who is seriously mentally ill.

The MSH, authorized in section 53-6-301, MCA, performs psychiatric care and treatment at Warm Springs for mentally ill persons who cannot be appropriately treated in community programs.

The CFA, authorized in section 53-21-411, MCA, is a residential facility for long-term care and treatment of persons who: 1) are 55 years of age or older; 2) are transferred from MSH or referred from Montana mental health centers; 3) have chronic mental disorders related to the aging process; 4) require a level of care not otherwise available in the community; and 5) are not so severe or acute as to require an active treatment program such as that available at MSH.

Mental Health Managed Care

The executive is currently developing a proposal for mental health managed care to be implemented in May 1996. The impact that managed care will have on mental health programs in the DCHS budget is uncertain. However, all funding for MSH except funds for: a) the forensic unit; b) Indian health; c) court ordered evaluations; d) private pay; and e) MSP individuals will come under the auspices of mental health managed care. As indicated in the "Other LFA Issues" discussion of Managing Resources Montana (MRM), the role of MRM within the managed care program is not clear.

The Executive Budget for MSH does not reflect any reductions in anticipation of the implementation of managed care. For a detailed discussion on the executive proposal for mental health managed care, see the SRS Agency Narrative.

Funding

Funding for the Mental Health Program is 94 percent general fund, which increases approximately \$11 million over the fiscal 1994 base. This increase is primarily due to the executive proposal to fund the MRM program. State special revenues are donations and canteen funds at MSH and CFA. Federal funds are from chemical dependency/mental health block grants and from categorical grants. Funding for new proposals is entirely general fund except: 1) federal funds of \$135,000 each year for the mental health statistical improvement program; and 2) state special revenue of negative \$2,541 each year to discontinue the CFA canteen. Table 9 shows FTE and funding for the various divisions in the program

Program	FTE	Fiscal 1996				FTE	Fiscal 1997			
		Gen. Fund	State Fund	Fed/Other	Total		Gen. Fund	State Fund	Fed/Other	Total
Operations	5.00	\$443,721	\$2,400		\$446,121	5.00	\$444,702	\$2,400		\$447,102
MT State Hospital	512.75	20,540,600	140,435		20,681,035	512.75	20,720,981	140,442		20,861,423
Center for the Aged	118.17	4,439,828	7,458		4,447,286	118.17	4,506,278	7,458		4,513,736
Community MH	0.00	6,011,596		1,608,602	7,620,198	0.00	6,291,987		2,076,014	8,368,001
MRM	0.00	7,155,420		864,826	8,020,246	0.00	7,271,249		864,826	8,136,075
Total Present Law	635.92	\$38,591,165	\$150,293	\$2,473,428	\$41,214,886	635.92	\$39,235,197	\$150,300	\$2,940,840	\$42,326,337
New Proposals	-10.85	3,115,699	(2,541)	135,000	3,248,158	-10.25	3,700,679	(2,541)	135,000	3,833,138
Total Funding	625.07	\$41,706,864	\$147,752	\$2,608,428	\$44,463,044	625.67	\$42,935,876	\$147,759	\$3,075,840	\$46,159,475

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The executive increases present law in the Mental Health Program by \$8.9 million (28 percent) in fiscal 1996 and \$10.0 million (31 percent) in fiscal 1997 over the fiscal 1994 base. Approximately 87 percent of the increase is general fund.

1) Personal Services - Personal services adjustments are the net result of: a) vacancy savings; b) pay plan increases; c) various upgrades due to reclassification and changes in duties; d) funding for overtime, differential, and holidays worked; e) the elimination of early retirement incentive costs; and f) the elimination of fiscal 1994 personal services costs in the Community Services Program that were incurred to coordinate the child and adolescent services program.

4) Other Services - The Executive Budget includes adjustments of \$860,154 in fiscal 1996 and \$1,314,661 in fiscal 1997. These adjustments are the result of increased federal grants used to contract for community mental health services: a) human resource development funds; b) child and adolescent services funds; c) consumer support funds; d) family liaison funds; and e) respite funds. The respite funds require a non-federal fund match; \$53,432 of the adjustment is general fund.

In addition to the increased funds listed above, the adjustment includes increases for a radiological contract and for a \$100,000 per year contract with Anaconda-Deer Lodge County to maintain the Galen campus. The contract for Galen maintenance was authorized by the 1993 legislature and the department incurred approximately \$88,000 of maintenance expenditures in fiscal 1994. The executive also includes present law funding for a position to perform radiological functions, and eliminates the position in a new proposal. For a further discussion, see "Executive New

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$905,671		\$1,038,760
2 Inflation/Deflation		142,370		232,114
3 Fixed Costs		(181)		(181)
<i>Other Executive Present Law Adjustments</i>				
4 Other Services		\$860,154		\$1,314,661
5 Communications		(80,397)		(80,397)
6 Grants		7,143,106		7,539,326
7 Other		(65,732)		(27,841)
<i>Total Executive Present Law Adjustments</i>	<i>0.00</i>	<i>\$8,904,991</i>	<i>0.00</i>	<i>\$10,016,442</i>

Proposals" in this program.

The adjustment also includes decreases due to the elimination of contracts for psychiatrist services, dietician services, and on-call physician services. The executive includes FTE to provide these services in the next biennium.

5) Communications - The executive includes a negative adjustment of \$80,397 in each year of the biennium for communications. Department of Administration (DOA) has installed a new telephone system at MSH. Installation and payment will be completed during fiscal 1995.

6) Grants - The executive increases grants by \$7,143,106 in fiscal 1996 and \$7,539,326 in fiscal 1997. The majority of these grants are in the MRM program and are funded with general fund. This program was formed through a memorandum of understanding between: a) DFS; b) SRS; c) DHES; d) OPI; e) MBCC; and f) DCHS to coordinate services for seriously emotionally disturbed (SED) youth. For a discussion on MRM, see "Other LFA Issues" in the Mental Health Program.

7) Other - The Executive Budget includes adjustments of negative \$65,732 in fiscal 1996 and negative \$27,841 in fiscal 1997 for communications, equipment, and other miscellaneous expenses. The executive is proposing the purchase of a vehicle in present law, and proposes to lease that vehicle in a new proposal. For a further discussion, see "Other LFA Issues" at the agency level.

Executive New Proposals

1) Community Services/SED Youth - The Executive Budget includes general fund of \$3,084,325 in fiscal 1996 and \$3,108,580 in fiscal 1997 to expand the Managing Resources Montana (MRM) program. These funds provide 1.4 FTE in fiscal 1996 and 2.0 FTE in fiscal 1997, and over \$3 million for grants to provide community mental health services to youth. See "Other LFA Issues" in the Mental Health Program for more information on the MRM program.

2) Housing/Crisis Intervention - The executive includes general fund of \$316,250 in fiscal 1996 and \$866,250 in fiscal 1997 to provide: a) community based housing; and b) crisis intervention services for adults with severe and disabling mental illness.

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Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Community Services/SED Youth	1.40	\$3,084,325	\$3,084,325	2.00	\$3,108,580	\$3,108,580
2 Housing/Crisis Intervention	0.00	316,250	316,250	0.00	866,250	866,250
3 Sex Offender Treatment	0.00	105,534	105,534	0.00	114,202	114,202
4 Professional Staff Training	0.00	21,000	21,000	0.00	21,000	21,000
5 Center for the Aged Physician	0.50	69,171	69,171	0.50	69,513	69,513
6 Discontinue CFA Canteen	0.00	0	(2,541)	0.00	0	(2,541)
7 Program 30 Vehicle Lease	0.00	(10,765)	(10,765)	0.00	(6,895)	(6,895)
8 Personal Services Reductions	(13.00)	(209,525)	(209,525)	(13.00)	(211,397)	(211,397)
9 Personal Services Reduction	(2.50)	(260,291)	(260,291)	(2.50)	(260,574)	(260,574)
10 MHSIP Implementation	2.75	0	135,000	2.75	0	135,000
Totals	(10.85)	\$3,115,699	\$3,248,158	(10.25)	\$3,700,679	\$3,833,138

This proposal provides funding for supported apartment housing for 60 mentally ill adults in five communities. DCHS will contract with community mental health centers (CMHC) to locate facilities in private rental markets, establish agreements with landlords, furnish the facilities, and arrange for support services for the individuals involved.

This proposal also includes funding to establish short-term, residential crisis programs in three communities; Missoula, Billings and an unspecified eastern Montana community. DCHS plans for the first facility to become operational October 1, 1995, the second on July 1, 1996, and the third on October 1, 1996.

3) Sex Offender Treatment - The Executive Budget includes general fund of \$105,534 in fiscal 1996 and \$114,202 in fiscal 1997 to develop a program to provide treatment to developmentally disabled and seriously mentally ill sex offenders at MDC, MSH, and MSP. This proposal would provide operating expenses and equipment for a specialized sex offender program located at MSH. No FTE are requested; however, four vacant positions, currently funded in present law at a cost of \$139,003 in fiscal 1996 and \$143,173 in fiscal 1997, would be converted to specialized treatment staff positions. The four positions have not been specifically identified.

4) Professional Staff Training - The executive includes general fund of \$21,000 each year to provide training to professional staff. This proposal provides funding for training materials, to bring trainers on-site to work with staff, and to send staff to workshops and conferences. The Mental Health Division spent approximately \$11,000 on education and training costs in fiscal 1994.

5) Center for the Aged Physician - The Executive Budget provides general fund of \$69,171 in fiscal 1996 and \$69,513 in fiscal 1997 to hire a 0.5 FTE physician to provide medical services to residents. The current physician is planning to retire and local physicians have refused to take new admissions as patients. Approximately \$45,000 of the annual cost of this position will be offset by medicaid reimbursement.

6) Discontinue CFA Canteen - The executive reduces the state special revenue revolving fund \$2,541 each year due to the closure of the CFA canteen. The canteen was discontinued in April 1994 and snacks are now distributed to residents daily, with the cost of the snacks included in the per diem rate. Residents receive the same level of service but the accounting to charge resident's accounts is no longer necessary.

7) Program 30 Vehicle Lease - The Executive Budget includes \$5,111 in fiscal 1996 to lease one vehicle and \$10,857 in fiscal 1997 to lease two vehicles. This lease request is part of an executive initiative at Department of Transportation (DOT) to lease vehicles to agencies from the state motor pool rather than provide for the purchase of replacement vehicles. When netted against the executive present law funding to purchase vehicles, this proposal results in net general fund decreases of \$10,765 in fiscal 1996 and \$6,895 in fiscal 1997. For a department-wide discussion on vehicle leases see "Other LFA Issues" at the agency level.

Personal Services Reductions

The Executive Budget includes two different personal services reduction proposals. The first one includes increases and decreases in operating costs and results from the transfer of the laundry program to MSP. The second proposal is strictly a personal services reduction eliminating 2.5 FTE and imposing vacancy savings.

8) Personal Services Reduction - Laundry Transfer - The executive eliminates 13.0 FTE and reduces personal services by \$355,449 in fiscal 1996 and \$357,321 in fiscal 1997. Although these FTE are eliminated in the Mental Health Program, they are included in the FTE requested for the MSP industries laundry program in the Corrections Division. Therefore, no actual savings result.

Additionally, due to the transfer of the laundry program to MSP, the executive reduces laundry operating costs by \$45,452 each year. However, the executive provides \$191,376 each year for MSH to contract with the MSP industries program for laundry services.

9) Personal Services Reduction - FTE Elimination/Vacancy Savings - The executive eliminates 2.5 FTE and reduces personal services by \$260,291 in fiscal 1996 and \$260,574 in fiscal 1997. This reduction is due to: a) elimination of a vacant, non-direct care, 0.5 FTE at MSH; b) elimination of 2.0 FTE radiological technicians at MSH; and c) imposition of vacancy savings of \$178,573 each year (approximately 0.8 percent). The Mental Health Division incurred vacancy savings of 3.9 percent in fiscal 1994.

LFA Issue - The radiological reduction does not entirely represent actual savings, because the executive increases present law by \$28,828 in fiscal 1996 and \$37,157 in fiscal 1997 to contract for radiological services.

For a table showing the details of the MSP Industries Laundry Program, see "Executive New Proposals" in the Corrections Division.

10) MHSIP Implementation - The executive provides \$135,000 of federal funds each year to implement the Mental Health Statistical Improvement Program (MHSIP). This proposal provides funding for 2.75 FTE and related operating expenses. MHSIP is a federal program developed to improve mental health data systems. This program was funded with a budget amendment in fiscal 1994 and the department has developed a mental health data system that includes the entire division, community programs and institutions.

Other LFA Issues

MRM Background

The 1993 legislature provided the following directive to DCHS in HB 2:

"The department shall coordinate the development of programs for children with severe emotional disturbances. The departments of Family Services, Health and Environmental Sciences, and Social and Rehabilitation Services and the Office of Public Instruction (OPI) and the Board of Crime Control shall fully cooperate and coordinate resources with the department."

In response to this language, the departments completed a memorandum of understanding to form and fund MRM as of July 1, 1993 (fiscal 1994). MRM is to provide treatment services to severely emotionally disturbed (SED) youth in the most appropriate, least restrictive environment.

MRM consists of: 1) a state team to develop policies and procedures to implement the program; 2) five regional teams to implement and monitor the regional programs; and 3) five managing resources specialists (MRS), one in each region, employed by the regional community mental health centers (CMHC) to screen referrals to determine if youth are SED, to refer youth to services, and to review and approve billings for payment.

MRM provided services to 1,683 clients in fiscal 1994 and estimates it will serve approximately 1,620 clients in fiscal 1995. About 22 percent (363) of the clients served in fiscal 1994 were in the custody of DFS. Over 80 percent of the services rendered were in the following categories: 1) outpatient individual therapy; 2) day treatment; 3) and intensive case management.

MRM Executive Proposal

There are several components to the executive proposal.

Overall Expansion - Table 10 shows the general fund expenditures for the 1995 biennium and the executive proposal for the 1997 biennium for MRM. As documented in the table, the executive proposes to increase general fund in the MRM program by \$12,428,116 from the 1995 biennium to the 1997 biennium, an increase of 152 percent. The executive anticipates that this increased funding will allow the program to expand and provide additional services to 8,290 children, an increase of 4,987 children, or 150 percent, over the number served in the 1995 biennium.

Table 10
Managing Resources Montana
Executive Proposal - General Fund

MRM Services	1995 Biennium* Expenditures	1997 Biennium Exec. Proposal	Biennial Change
Community Serv./SED Youth	\$3,468,095	\$4,469,850	1,001,755
Residential Treatment Services	4,485,523	9,588,819	5,103,296
UR Residential Treatment	237,840	368,000	130,160
Total Present Law General Fund	8,191,458	14,426,669	6,235,211
MRM Expansion New Proposal		6,192,905	6,192,905
Total MRM Proposal**	\$8,191,458	\$20,619,574	\$12,428,116

*Fiscal 1994 Actuals & Fiscal 1995 Projected

**DCHS present law includes \$1,729,652 federal funds, remaining federal funds are in SRS budget

LFA Issue - According to the executive budget, this proposal is based on the "success" of the MRM program. The program has been operational during one biennium and the department was not able to provide performance indicators or other evidence of the success of the program. The legislature may wish to ask the department to provide

information with which the program can be evaluated, or other information that justifies this significant investment of resources.

- MRM New Proposal - Community Services/SED Youth - The executive includes 1.40 FTE and general fund of \$3,084,325 in fiscal 1996 and 2.0 FTE and \$3,108,580 in fiscal 1997 to expand the MRM program (\$6,192,905 over the biennium). This proposal funds the child and adolescent service system manager in the Mental Health Division and a utilization review specialist. The remaining funds, \$3,031,549 each year, will be granted to CMHC to provide services to qualifying youth in the MRM program.

The regional MRM programs propose to spend the funds as follows: 1) \$1,866,145 for services to support and maintain SED youth at home; 2) \$1,011,254 for therapeutic community based out of home treatment (group home and foster care); 3) \$74,250 for residential treatment; and 4) \$79,900 for administrative and indirect services. The funds identified in this proposal are included in the executive proposal table that shows the total request for the MRM program.

- Foster Care - Families can choose to place their children in foster care or group home care. These placements are funded from the general fund since the children are not in the custody of DFS and are not medicaid eligible. MRM funds these placements from general fund.
- Mental Health Managed Care - The executive proposes to implement its mental health managed care program in May, 1996. (Mental health managed care is discussed in the "Agency" section of the Department of Social and Rehabilitation Services.) The role of MRM within the mental health managed care program is not clear. The executive is developing an estimate of MRM funds that will roll into managed care. The legislature may wish to review the funding and the functions that will remain with the MRM program.

In addition to issues regarding the expansion of the program, the legislature should be aware of the following:

- 1) \$1 Million Present Law Overstatement - The 1993 legislature authorized a \$2 million general fund biennial appropriation for DFS in lieu of inpatient hospital psychiatric services. DFS transferred this appropriation to DCHS in fiscal 1994 for MRM services. DCHS spent almost \$1.5 million, or 75 percent of this appropriation in fiscal 1994. Consequently, only \$0.5 million of the \$2 million biennial appropriation remains in fiscal 1995.

LFA Issue - Even though the \$2.0 million transfer was a biennial amount, the executive proposal includes \$1.5 million *each year* (\$3 million for the biennium), in present law. Consequently, the executive budget inflates present law by \$1.0 million general fund over the biennium. This additional funding should be considered a new proposal.

- 2) Education Costs - The 1993 legislature gave OPI authority to transfer up to \$328,458 each year of its general fund appropriation for special education to DFS. This authority was to provide the matching funds necessary for medicaid reimbursements paid for education costs of children with disabilities. Based on DFS projections of the education costs for each year, OPI transferred \$123,000 to DFS in fiscal 1994 and \$45,000 in fiscal 1995.

Additionally, the 1993 legislature gave OPI authority to transfer up to \$700,000 to DFS to provide the matching funds necessary for medicaid reimbursements paid for education costs of children receiving in-state residential treatment services.

LFA Issue - The executive includes these funds in each year of the MRM proposal. The legislature included the following language in the DFS section of HB 2:

"The department is appropriated an amount equal to the general fund transfer received from the office of public instruction for education costs of children receiving medicaid-eligible treatment services. In preparing the 1997 biennium budget for legislative consideration, the office of budget and program planning and the

legislative fiscal analyst's office may not include the expenditures from this appropriation in the current level budget." (emphasis added)

In accordance with this language, if the executive wishes to include these funds in the MRM program, they should be evaluated by the legislature as a new proposal, not as present law.

3) Utilization Review - Utilization review (UR) is the independent review of a case file to determine if placement in a psychiatric residential treatment center is medically necessary. The 1993 legislature provided \$367,750 total funds each year to SRS to provide UR of residential treatment. SRS contracted with a private corporation to provide these services. During fiscal 1994, SRS transferred this contract and related funding to DFS and DFS transferred it to DCHS.

LFA Issue - The executive provides funding for UR of residential treatment in the MRM program; however, the executive: a) expanded the total cost; and b) does not correctly fund the UR position.

Cost Expansion - The UR function qualifies for a 50 percent medicaid match. The executive proposal provides \$368,000 (\$184,000 general fund and \$184,000 federal funds) each year for UR. Of the \$367,750 appropriated by the 1993 legislature for UR, DFS spent \$36,700 on general operating costs, not UR services. Since these funds were not spent on UR certification, they did not qualify for medicaid match and should not be included in fiscal 1994 base UR expenditures. The legislature may want to reduce general fund in the MRM proposal by \$36,700 each year (\$73,400 over the biennium).

Funding - The executive proposes to eliminate an FTE at DFS and add an FTE at DCHS to perform UR. This FTE and approximately \$40,000 (\$17,500 general fund, \$22,500 federal funds) each year are eliminated in an executive new proposal at DFS. The executive transfers the position to DCHS, funds it with 100 percent general fund, and includes it in the MRM Expansion new proposal. If this position is actually going to perform UR, it could be funded 50 percent general fund and 50 percent federal funds.

In addition to funding this position entirely with general fund, the executive includes funding for the position twice, even though there is only 1.0 FTE. Funding is provided in the UR function in present law and again in the MRM Expansion new proposal.

4) MRM Organizational Structure - As mentioned previously, five regional MRM teams exist to implement and monitor the regional programs. Five MRSs are employed by the regional community mental health centers to screen referrals to determine if youth are SED, to refer youth to services, and to review and approve billings for payment.

LFA Issue - MRSs have a potential conflict of interest due to this organizational structure. The MRS, who is employed by the CMHC, determines services necessary for youth and makes referrals. While no evidence exists that referrals have been inappropriate, the potential exists for preferential referrals to a CMHC as a provider, whether or not the MRS is impartial in making referrals.

Sound management practices require an organizational structure where even the appearance of a conflict of interest does not exist. The legislature may wish to direct the department to organize the MRM program in such a way that potential conflicts of interest do not exist. An option the legislature may wish to consider is to employ or contract with the MRS directly so the CMHC is not both the employer and a provider.

5) Residential Psychiatric Treatment of Youth - Residential youth psychiatric care is transferred from DFS to MRM under the executive proposal. MRM will receive the general fund medicaid match, while the federal funds will continue to be appropriated to SRS. DFS spent \$2.4 million general fund in fiscal 1994 for residential treatment services, with SRS providing \$1 million of that amount by transferring unexpended primary care medicaid authority.

Total base budget residential psychiatric expenditures were \$8.3 million. A total of 271 children received residential psychiatric services, at an average annual cost of \$30,743.

The executive estimate for residential treatment benefits is based on 100 percent occupancy of in-state residential facilities (156 beds), as well as an estimate of the number of out-of-state placements that will be required (20 beds). The executive estimate increases from fiscal 1994 expenditures of \$8.3 million to \$15.7 million total funds with general fund costs of \$4.7 million in fiscal 1996 and \$4.9 million in fiscal 1997. General fund amounts change since the state matching rate increases from fiscal 1996 to 1997.

LFA Issue - The executive included residential treatment benefits twice in the Executive Budget, once in DFS and again in the MRM proposal. OBPP authorized approximately \$1.3 million less at DFS than for the same function in the MRM program at DCHS. The funds authorized at DFS will be used for a different purpose. The legislature may wish to reduce general fund for residential treatment benefits by \$1.3 million over the biennium. Additionally, the legislature may want to consider the premise on which the residential psychiatric costs are based.

LFA Issue - Youth psychiatric medicaid benefits have grown at higher rates than average annual medicaid expenditures. For instance, residential psychiatric benefits grew from \$3.6 million total funds in fiscal 1992 to \$8.3 million in fiscal 1994. Inpatient psychiatric benefits, eliminated by the 1993 legislature, increased from \$4.8 million in fiscal 1988 to \$11.1 million in fiscal 1992.

One of the reasons that benefit costs increased during the 1995 biennium was the growth in the number residential psychiatric beds from 128 to 168. The Department of Health and Environmental Sciences administers the certificate of need process which approves the number of youth psychiatric beds.

The legislature may wish to ask DCHS: a) how it will stabilize residential psychiatric benefit increases; and b) how it will control the number of in-state residential psychiatric beds.

Summary of MRM Issues

- The executive proposes to significantly expand general fund present law funding of the MRM program without providing evidence to demonstrate the effectiveness of the program.
- The role of the MRM program within the Mental Health Managed Care system is not clearly defined.
- A \$2 million biennial general fund appropriation is annualized so that expenditures rise to \$3 million general fund in the 1997 biennium.
- Funds from OPI for education costs are included in present law when specifically excluded by the 1993 legislature.
- Funds for UR services are: 1) overstated; 2) incorrectly funded; and 3) included in both present law and the new proposal.
- Organizational structure of MRM program allows for potential conflict of interest in the MRS position.
- Residential psychiatric benefits increase from \$8.3 million in the base budget to \$15.6 million in the executive proposal. Unless the executive has a plan to control costs, residential psychiatric benefits will increase above the level estimated in the Executive Budget.

CORRECTIONS & HUMAN SERVICES
Program Summary**CHEMICAL DEPENDENCY**

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	55.85	(1.00)	(2.50)	52.35	(1.00)	(2.50)	52.35	52.35
Personal Services	1,776,740	98,499	(70,540)	1,804,699	109,092	(70,951)	1,814,881	3,619,580
Operating Expenses	808,565	210,949	(13,664)	1,005,850	235,617	(8,438)	1,035,744	2,041,594
Equipment	32,778	(32,778)	0	0	(22,678)	(10,100)	0	0
Grants	2,334,619	302,282	377,053	3,013,954	302,282	377,469	3,014,370	6,028,324
Debt Service	487	(487)	0	0	(487)	0	0	0
Total Costs	\$4,953,189	\$578,465	\$292,849	\$5,824,503	\$623,826	\$287,980	\$5,864,995	\$11,689,498
Fund Sources								
State/Other Special	2,616,824	224,873	254,373	3,096,070	267,716	249,386	3,133,926	6,229,996
Federal Special	2,336,365	353,592	38,476	2,728,433	356,110	38,594	2,731,069	5,459,502
Total Funds	\$4,953,189	\$578,465	\$292,849	\$5,824,503	\$623,826	\$287,980	\$5,864,995	\$11,689,498

Program Description

The Chemical Dependency division includes: 1) chemical dependency administration; 2) in-patient alcohol and chemical dependency programs in Butte; and 3) community services. As established in section 53-24-207, MCA, the department is responsible for establishing comprehensive and coordinated programs for the treatment of chemically dependent persons, intoxicated persons, and their families. Those programs include: 1) emergency treatment; 2) inpatient treatment; 3) intermediate treatment; 4) outpatient treatment; and 5) follow-up services.

Funding

Funding for the Chemical Dependency Division is approximately 53 percent alcohol tax state special revenue and 47 percent federal funds, the same as the fiscal 1994 base. Earmarked alcoholic tax is the primary funding source for chemical dependency operations and programs. These funds are derived from taxes on beer, wine, and liquor and are appropriated to DCHS and the Departments of Family Services and Justice, as shown in the following table. Any funds not directly appropriated for state programs are statutorily appropriated to counties for county chemical dependency programs. The statutory appropriations are estimated at \$800,000 each year of the biennium.

LFA Issue - Overall, the alcohol tax revenues, as estimated by the Revenue Oversight Committee, increase from the actual fiscal 1994 level. However, the executive present law recommendation exceeds projected revenues. In fiscal 1994 and 1995 disbursements also exceeded or are anticipated to exceed revenues. However, sufficient fund balance existed to support this level of expenditure. As shown in the table, however, assuming all fiscal 1995 appropriations are expended, fund balance is not sufficient to allow disbursements to exceed projected revenues in the 1997 biennium and maintain a balance for cash flow purposes.

As shown in the table, the executive recommends five new proposals that impact alcohol tax: 1) ISB Programming Staff in Central Operations, a percent of which is supported by the CD Program; 2) Program 40 Lease, which reduces alcohol tax in the Executive Budget by leasing rather than purchasing vehicles; 3) CD Community Treatment, which provides CD services to community corrections; 4) Personal Services Reductions, which result from closing the detoxification unit at MCDC; and 5) Justice Funding Switch, which proposes using general fund for drug testing at the Forensics Unit, rather than alcohol tax.

Table 11
Earmarked Alcohol Tax
Fiscal 1992 through Fiscal 1997

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995*	Fiscal 1996**	Fiscal 1997**
Beginning Balance	\$836,686	\$747,068	\$939,014	\$747,362	\$146,054	(\$42,023)
Revenues						
1. Beer Tax	\$806,827	\$758,421	\$748,966	\$766,475	\$772,745	\$772,745
2. Wine Tax	439,667	398,867	393,237	381,819	368,264	355,173
3. Cost Recovery	136,258	109,266	85,103	85,103	85,103	85,103
4. Liquor License	2,504,497	2,571,812	2,574,566	2,569,006	2,603,532	2,641,416
Total Revenue Available	\$3,887,249	\$3,838,366	\$3,801,872	\$3,802,403	\$3,829,644	\$3,854,437
Disbursements						
Present Law						
1. Audit & Chem. Dep. Operations	\$370,957	\$324,819	\$369,410	\$374,780	\$434,852	\$428,503
2. Total Chemical Dependency	1,885,841	1,801,747	2,283,052	2,617,292	2,486,155	2,530,088
3. Dist. to Counties	1,330,000	1,250,000	999,984	1,000,000	800,000	800,000
4. State Prison/Swan River/WCC	81,182	97,224	59,290	105,227		
5. Pine Hills	26,319	27,000	28,923	30,404	29,523	29,523
6. Justice - Drug Testing	250,469	237,182	265,295	276,008	265,295	265,295
Subtotal - Present Law					\$4,015,825	\$4,053,409
New Proposals						
1. ISB Programming Staff					\$12,818	\$18,230
2. Pgm 40 Vehicle Lease						(4,874)
3. CD Community Treatment					377,053	377,469
4. PS Reductions					(122,680)	(123,209)
5. Justice - Funding Switch					(265,295)	(265,295)
Subtotal - New Proposals					\$1,896	\$2,321
Total Disbursements	\$3,944,768	\$3,737,972	\$4,005,954	\$4,403,711	\$4,017,721	\$4,055,730
Adjustments	(32,099)	91,552	12,430			
Ending Balance With New Proposals	\$747,068	\$939,014	\$747,362	\$146,054	(\$42,023)	(\$243,316)
Ending Balance Present Law Only					(\$40,127)	(\$239,099)
*Fiscal 1995 appropriated or estimated						
**Fiscal 1996 and fiscal 1997 show executive budget disbursements and ROC estimates						

The executive states that the funding switches would result in higher grants to programs for chemical dependency treatment. However, if expenditures are to remain within available revenues, the legislature has two primary options: 1) replace a portion of the recommended disbursements with some other funding source; or 2) reduce funding to programs currently funded with alcohol tax. This option would require a reprioritization of the uses of the alcohol tax.

Federal funds consist of: 1) categorical grants of \$32,000 each year; and 2) chemical dependency/mental health block grants of \$2,696,433 in fiscal 1996 and \$2,699,069 in fiscal 1997.

The following table shows the FTE and funding for the Chemical Dependency Program.

Table 12 Chemical Dependency Division FTE and Funding by Program									
Program	FTE	Fiscal 1996			Total	FTE	Fiscal 1997		
		Gen. Fund	State Fund	Fed/Other			Gen. Fund	State Fund	Fed/Other
Operations	8.00		\$355,542	\$38,142	\$393,684	8.00		\$354,452	\$40,659
MCDC	46.85		2,486,155	2,000	2,488,155	46.85		2,530,088	2,000
Community Services	0.00			2,649,815	2,649,815	0.00			2,649,816
Total Present Law	54.85	\$0	\$2,841,697	\$2,689,957	\$5,531,654	54.85	\$0	\$2,884,540	\$2,692,475
New Proposals	-2.50		254,373	38,476	292,849	-2.50		249,386	38,594
Total Funding	52.35		\$3,096,070	\$2,728,433	\$5,824,503	52.35	\$0	\$3,133,926	\$2,731,069

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$98,499		\$109,092
2 Inflation/Deflation		21,703		37,226
3 Fixed Costs		(325)		(325)
<i>Other Executive Present Law Adjustments</i>				
4 Other Services		\$169,689		\$171,337
5 Equipment		(32,778)		(22,678)
6 Grants		302,282		302,282
7 Other		19,395		26,892
<i>Total Executive Present Law Adjustments</i>	0.00	\$578,465	0.00	\$623,826

The executive increases present law by \$578,465 in fiscal 1996 and \$623,826 in fiscal 1997, approximately an 11 percent increase in each year over the fiscal 1994 base. Alcohol tax revenue comprises 39 percent of the increase in fiscal 1996 and 43 percent of the fiscal 1997 increase. The remainder of the increase is federal funds.

1) Personal Services - The Executive Budget includes adjustments of \$98,499 in fiscal 1996 and \$109,092 in fiscal 1997. These personal services adjustments are the net result of: a) the elimination of 1.0 FTE for services that would

be obtained through contracted services; b) the elimination of early retirement incentive costs; c) vacancy savings; d) pay plan increases; and e) funding for overtime, holidays worked, differential and related benefits.

- 4) Other Services - The Executive Budget increases other services by \$169,689 in fiscal 1996 and \$171,337 in fiscal 1997. These increases are due to: a) a contract to implement and revise uniform Alcohol and Drug Abuse Data (ADAD) collection systems; b) an increase in the contract with Horizon Health Care to provide building space and food service to MCDC; and c) a contract to evaluate programs and provide technical assistance.
- 5) Equipment - The Executive Budget reduces equipment by \$32,778 in fiscal 1996 and \$22,678 in fiscal 1997. The executive provides no funding for equipment in fiscal 1996. However, the executive provides \$10,100 in fiscal 1997 for the Chemical Dependency Program to purchase a vehicle. This vehicle would be used to transport clients and for travel to chemical dependency centers throughout the state. The executive replaces this vehicle with a lease agreement in a new proposal. For a further discussion, see "Other LFA Issues" in the agency section.
- 6) Grants - The executive increases appropriation authority for federal grants by \$302,282 to \$2,636,901 in each year of the biennium due to increased availability of federal funds. These moneys would be granted to state approved chemical dependency programs for substance abuse prevention and treatment.
- 7) Other - The executive includes \$19,395 in fiscal 1996 and \$26,892 in fiscal 1997 for miscellaneous expenses.

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Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 After Care Coordinator	1.00	\$0	\$38,476	1.00	\$0	\$38,594
2 Program 40 Vehicle Lease	0.00	0	0	0.00	0	(4,874)
3 CD Community Treatment	0.00	0	377,053	0.00	0	377,469
4 Personal Services Reductions	(3.50)	0	(122,680)	(3.50)	0	(123,209)
Totals	(2.50)	\$0	\$292,849	(2.50)	\$0	\$287,980

Executive New Proposals

- 1) After Care Coordinator - The executive requests \$38,476 in fiscal 1996 and \$38,594 in fiscal 1997. These federal block grant funds would provide 1.0 FTE after care chemical dependency counselor/coordinator and operating expenses. Chemical Dependency counseling/placement services are currently being purchased through a contract with a Helena provider. The executive proposes to station the after care coordinator in Butte where MCDC is located.
- 2) Program 40 Vehicle Lease - The Executive Budget includes \$5,410 in fiscal 1997 to lease one vehicle. This proposal is part of an overall executive plan to lease vehicles from the Department of Transportation motor pool rather than provide funds for individual vehicle purchases. This proposal includes minor negative adjustments to gasoline and maintenance, as these services are included in the lease. Additionally, the executive eliminates \$10,100 provided in present law to purchase a vehicle. The net result of this proposal is a negative \$4,874 in fiscal 1997. Funding for this proposal is alcohol tax.

For a department-wide discussion of this proposal, see "Other LFA Issues" in the agency section.

3) CD Community Treatment - The Executive Budget includes \$377,053 in fiscal 1996 and \$377,469 in fiscal 1997 to provide chemical dependency treatment to offenders in the community. The Chemical Dependency Division would coordinate the services and provide alcohol tax funds to state approved chemical dependency programs. These chemical dependency programs would then provide chemical dependency treatment services to the community corrections population.

According to the Revenue Oversight Committee projections, alcohol tax revenues are not adequate to fund the executive recommendation. For a further discussion, see "Funding" in this program.

4) Personal Services Reductions - The Executive Budget decreases by \$122,680 in fiscal 1996 and \$123,209 in fiscal 1997. This reduction results from the elimination of the detoxification unit at MCDC and includes 3.5 FTE, approximately \$104,000 each year in personal services, and \$18,664 each year in operating expenses. The MCDC detoxification unit will be eliminated but detoxification treatment will continue to be provided to clients that enter the chemical dependency program. People admitted to MCDC for one or two nights will not receive these services.

CORRECTIONS & HUMAN SERVICES**SPECIAL SERVICES**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	547.32	0.00	5.05	552.37	0.00	(69.82)	477.50	477.50
Personal Services	15,666,748	856,571	15,903	16,539,222	962,691	(2,184,526)	14,444,913	30,984,135
Operating Expenses	2,647,589	156,788	9,899	2,814,276	255,514	(9,756)	2,893,347	5,707,623
Equipment	131,308	56,377	(25,900)	161,785	(33,688)	(21,210)	76,410	238,195
Transfers	100,000	(100,000)	0	0	(100,000)	0	0	0
Total Costs	\$18,545,645	\$969,736	(\$98)	\$19,515,283	\$1,084,517	(\$2,215,492)	\$17,414,670	\$36,929,953
Fund Sources								
General Fund	15,308,298	774,816	(113,423)	15,969,691	821,397	(2,313,146)	13,816,549	29,786,240
State/Other Special	2,160,766	(2,229)	75,549	2,234,086	45,637	65,101	2,271,504	4,505,590
Federal Special	1,076,581	197,149	37,776	1,311,506	217,483	32,553	1,326,617	2,638,123
Total Funds	\$18,545,645	\$969,736	(\$98)	\$19,515,283	\$1,084,517	(\$2,215,492)	\$17,414,670	\$36,929,953

Program Description

The Special Services division includes the administration program, developmental disabilities services at MDC and Eastmont, and veteran's services at MVH and EMVH.

The administration program oversees the developmental disability system and the veteran's homes.

The MDC provides treatment and habilitation for profoundly mentally retarded individuals. Title 53, chapter 20, MCA, details procedures and basic guidelines for care, treatment, and training.

Eastmont, authorized in section 53-20-502, MCA as an extension of the MDC, provides intermediate nursing care, treatment, and education for mentally retarded individuals. The center's goal is to maintain and improve individual skills so that residents can function in the community. The executive is recommending closure of the facility.

The MVH contains 60 domiciliary and 90 nursing care beds. Spouses of eligible veterans are admitted when space is available in the domiciliary unit.

The EMVH is an 80-bed nursing facility that will be operated under contract between the Glendive Medical Center and the state. The 1993 legislature anticipated that the 80-bed nursing facility would open in the spring of fiscal 1995. Current projections indicate the facility will open in April, 1995.

Funding

The Special Services Program is funded primarily with general fund (82 percent). State special revenues consist of the following: 1) cigarette tax of \$13,992 in fiscal 1996 and \$16,510 in fiscal 1997 in operations; 2) \$39,414 per year of vocational training funds and donations at MDC and EHSC; 3) private insurance/medicaid reimbursement at MVH of \$1,204,765 in fiscal 1996 and \$1,226,068 in fiscal 1997; 4) cigarette tax at MVH of \$813,429 in fiscal 1996 and \$827,354 in fiscal 1997; 5) MVH interest and income revenue from land leases of \$5,000 per year; 6) cigarette tax of \$63,937 in fiscal 1996 and \$74,057 in fiscal 1997 for EMVH; and 7) \$18,000 in each year for the canteen at MVH. Federal funds are: 1) Veterans' Administration reimbursement of \$1,268,236 in fiscal 1996 and \$1,288,570 in fiscal 1997; and 2) miscellaneous federal grants of \$5,494 at MDC.

New proposals reduce general fund by \$113,423 in fiscal 1996 and \$2,313,146 (primarily Eastmont closure and personal services reductions) in fiscal 1997. Table 13 shows the FTE and funding for each of the divisions in the Special Services Program.

Program	Fiscal 1996				Fiscal 1997					
	FTE	General Fund	State Fund	Fed/Other	Total	FTE	General Fund	State Fund	Fed/Other	Total
Operations	2.00	\$151,758	\$13,992	\$7,208	\$172,958	2.00	\$165,836	\$16,510	\$8,505	\$190,851
MDC	353.31	12,441,129	39,014	5,494	12,485,637	353.31	12,453,666	39,014	5,494	12,498,174
EHSC	105.12	3,490,227	400		3,490,627	105.12	3,510,193	400		3,510,593
MVH	85.89		2,041,194	1,261,028	3,302,222	85.89		2,076,422	1,280,065	3,356,487
EMVH	1.00		63,937		63,937	1.00		74,057		74,057
Total Present Law	547.32	\$16,083,114	\$2,158,537	\$1,273,730	\$19,515,381	547.32	\$16,129,695	\$2,206,403	\$1,294,064	\$19,630,162
New Proposals	5.05	(113,423)	75,549	37,776	(98)	-69.82	(2,313,146)	65,101	32,553	(2,215,492)
Total	552.37	\$15,969,691	\$2,234,086	\$1,311,506	\$19,515,283	477.50	\$13,816,549	\$2,271,504	\$1,326,617	\$17,414,670

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Description	FTE	Adjustments	FTE	Adjustments
	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services		\$856,571		\$962,691
2 Inflation/Deflation		115,494		188,278
3 Fixed Costs		(57)		(57)
Other Executive Present Law Adjustments				
4 Other Services		(\$56,561)		(\$57,916)
5 Utilities		22,920		23,130
6 Repair & Maintenance		33,225		43,225
7 Equipment		56,377		(33,688)
8 Other		(58,233)		(41,146)
Total Executive Present Law Adjustments	0.00	\$969,736	0.00	\$1,084,517

The executive increases present law by approximately 5 percent each year over the fiscal 1994 base: \$969,736 in fiscal 1996 and \$1,084,517 in fiscal 1997. Over 75 percent of this increase is general fund.

1) Personal Services - The Executive Budget includes adjustments of \$856,571 in fiscal 1996 and \$962,691 in fiscal 1997. These personal services adjustments are the net result of: a) vacancy savings; b) pay plan increases; c)

upgrades; d) funding for overtime, differential and holidays worked; and e) the elimination of early retirement incentive costs.

4) Other Services - The Executive Budget includes adjustments of negative \$56,561 in fiscal 1996 and negative \$57,916 in fiscal 1997. These adjustments are due to three factors: a) the elimination of a contract with Vocational Resources for an employee assistance program, which is similar to a program provided in employee benefits; b) fiscal 1994 contracted services for occupational therapy, speech, and psychology services are budgeted in personal services during the 1997 biennium; if the department is not able to fill the positions, they will transfer the funds to the operations category and contract for the services; and c) the department negotiated a single department-wide contract for prescription services.

5) Utilities - The Executive Budget includes adjustments of \$22,920 in fiscal 1996 and \$23,130 in fiscal 1997. These adjustments are the net result of: a) a decrease in the cost of natural gas used at MDC; b) use of the Boulder city water system instead of maintaining private wells at MDC; and c) garbage transportation costs due to federal solid waste regulations.

6) Repair and Maintenance - The executive includes adjustments of \$33,225 in fiscal 1996 and \$43,225 in fiscal 1997 for: a) maintenance contracts for computers and printers; and b) maintenance on the EMVH as required under the management contract with the Glendive medical center.

7) Equipment - The executive includes adjustments of \$56,377 in fiscal 1996 and negative \$33,688 in fiscal 1997 for equipment purchases. These adjustments will allow the department to purchase computer software and desks, a microfiche reader printer, physical therapy equipment, a postage machine, furniture, miscellaneous equipment and replacement vehicles. Fiscal 1994 equipment appropriation authority was \$109,893 and fiscal 1995 authority was \$235,229. The executive has a new proposal to lease the vehicles included in this recommendation. For a further discussion, see "Other LFA Issues" in the agency section.

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Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 MVH-Additional Nurse Aides	4.20	\$0	\$97,325	4.20	\$0	\$97,654
2 MVH-OBRA Software	0.00	0	16,000	0.00	0	0
3 EHSC Vocational Pgm	2.25	56,448	56,448	2.25	55,624	55,624
4 Program 50 Vehicle Lease	0.00	(27,501)	(27,501)	0.00	(10,458)	(10,458)
5 Personal Services Reductions	0.00	0	0	(5.00)	(32,692)	(32,692)
6 FTE Target Reduction	0.00	0	0	(17.30)	(694,590)	(694,590)
7 Personal Services Reductions	(1.40)	(132,870)	(132,870)	(1.40)	(132,946)	(132,946)
8 EHSC Closure-Direct Care	0.00	0	0	(28.59)	(727,630)	(727,630)
9 EHSC-Closure Non-Direct Care	0.00	(9,500)	(9,500)	(23.98)	(770,454)	(770,454)
Totals	5.05	(\$113,423)	(\$98)	(69.82)	(\$2,313,146)	(\$2,215,492)

Executive New Proposals

- 1) MVH - Additional Nurse Aides - The Executive Budget includes \$97,325 in fiscal 1996 and \$97,654 in fiscal 1997 to add 4.2 FTE certified nurse aides at MVH. MVH currently maintains the minimum staffing levels required by Department of Veterans Affairs and Department of Health. The department justifies this new proposal by stating that the current staffing levels do not meet all of the care needs of the members. This proposal adds one certified nurse aide per shift and is funded with one-third cigarette tax revenue, one-third private insurance/medicaid reimbursement, and one-third federal veterans reimbursement.
- 2) MVH - OBRA Software - The executive provides \$16,000 in fiscal 1996 to purchase computer software to automate patient data. Currently, MVH staff maintains specific resident data on a manual basis. With an automated resident data system, MVH staff will have access to necessary data and a method to generate required reports. This proposal is funded with cigarette tax revenue (67 percent) and federal veterans' assistance reimbursement (33 percent).
- 3) EHSC Vocational Program - The executive includes 2.25 FTE resident care aides and general fund of \$56,448 in fiscal 1996 and \$55,624 in fiscal 1997 to implement a vocational program for residents at EHSC. This program is required to maintain medicaid certification.
- 4) Program 50 Vehicle Lease - The executive includes \$5,845 in fiscal 1996 and \$8,462 in fiscal 1997 to lease vehicles. This lease request is part of an executive initiative at Department of Transportation to lease vehicles to agencies from the state motor pool rather than provide for the purchase of replacement vehicles. When netted against the executive present law funding to purchase vehicles, this proposal results in net general fund decreases of \$27,501 in fiscal 1996 and \$10,458 in fiscal 1997. For a department-wide discussion on vehicle leases see "Other LFA Issues" in the agency section.

Personal Services Reduction

The Executive Budget includes three different personal services reduction proposals. The first includes increases and decreases in operating costs and results from the transfer of the laundry program to MSP. The second proposal, which also includes operating cost reductions, is the result of the MDC campus redesign which should be complete by the end of fiscal 1996. The third proposal eliminates vacant positions and imposes vacancy savings. Each proposal is considered individually.

- 5) Personal Services Reductions (Laundry Transfer) - The executive eliminates 5.0 FTE and reduces personal services by \$133,772 in fiscal 1997. Although these FTE are eliminated in the Special Services Program, they are included in the FTE requested for the MSP industries laundry program in the Corrections Division. Therefore, no savings actually occur.

Additionally, due to the transfer of the laundry program to MSP, the executive reduces utilities expenses by \$46,000 in fiscal 1997. However, the executive provides \$147,080 in fiscal 1997 for MDC to contract with the MSP industries program for laundry services.

The net result of this proposal is a negative general fund adjustment of \$32,692. However, because contracts will replace direct personal service costs, there is no net savings to the state from these reductions. Refer to the "Executive New Proposals" section in the Corrections Division for a further discussion.

- 6) FTE Target Reduction (MDC Redesign) - The executive eliminates 17.30 FTE, \$559,090 in personal services and \$135,500 in operating costs in fiscal 1997. This reduction is the result of campus consolidation construction originally authorized by the 1991 legislature. The executive has reduced FTE by physically redesigning the MDC campus and relocating some residents to community group homes.

Although this proposal reduces FTE and costs at MDC, the executive increases present law funding at SRS by \$1.6 million (\$635,512 general fund) to build and operate group homes for the residents relocated into the community due to the consolidation. Therefore, no actual savings occur. For further discussion on this proposal, refer to "Executive Present Law" in the SRS Developmental Disabilities Division.

7) Personal Services Reductions (Vacant Positions and Vacancy Savings) - The executive eliminates 1.4 FTE and \$22,177 in fiscal year 1996. These FTE are vacant administrative support positions at MDC. The executive also imposes vacancy savings of 0.67 percent, or \$110,769 each year.

8 & 9) EHSC Closure - EHSC and MDC are the state's facilities for developmentally disabled individuals. The Executive Budget includes a proposal to close EHSC, effective January 1, 1997. Currently, the population at EHSC is 49 individuals, while MDCs population is 117. The executive plans to relocate 60 residents currently residing in EHSC and MDC to community group homes. The remaining EHSC residents would be relocated to MDC. The MDC population would be reduced to between 100 and 110 individuals.

Since adequate community facilities do not currently exist, the budget of Department of Social and Rehabilitation (SRS) includes \$3,098,849 over the 1997 biennium to build and operate eight group homes. Funding includes general fund of \$640,000 to build the group homes in fiscal 1996 and \$818,132 to operate the homes in fiscal 1997. These homes qualify for medicaid reimbursement, so remaining funds are federal. The budget for Department of Family Services also includes \$45,872 of general fund for supplemental payments to individuals transferred into the eight group homes.

Executive present law provides funding for the operation of MDC and EHSC during the entire 1997 biennium. This new proposal reduces the EHSC budget in fiscal 1997 by \$1.5 million, almost one-half of the fiscal 1997 budget. The executive would also reduce fiscal 1996 present law equipment purchases by \$9,500. Table 14 summarizes the executive proposal to close EHSC.

Table 14 Executive Proposal - Eastmont Closure	
Description	1997 Biennium
Operate EHSC 3/4 Biennium*	\$5,577,896
Operate Group Homes	2,458,849
SSI Payment	45,872
Group Home Construction	640,000
Total Executive Proposal	\$8,722,617
*Includes \$2,000 per employee for employee termination assistance	

Costs in DCHS are not the only factor to consider in the decision to close or maintain EHSC. However, a comparison of costs shows that, as shown in Table 15, combined DCHS and SRS costs are approximately \$1.6 million more during the 1997 biennium to close EHSC and establish the group homes than to operate EHSC. This difference changes in the next biennium however, as the cost of operating the eight group homes in the 1999 biennium (without group home construction and start-up costs and EHSC operation costs for a portion of the biennium) is about \$1.4 million less than the projected cost of maintaining operations at EHSC. While the 1999 biennium shows a general fund savings, the executive anticipates that, over time, the general fund cost of operating the group homes will be approximately the same as the general fund cost of operating EHSC.

Table 15
Eastmont Human Services Center
Comparison of Executive Proposal
To Ongoing Operation

Description	1997 Biennium	1999 Biennium
Operate EHSC	\$7,113,292	\$7,625,501
Close EHSC & Operate 8 Group Homes	8,722,617	6,183,943
Operate EHSC Over (Under) Group Homes	(\$1,609,325)	\$1,441,558

This table shows only the costs to build and operate the eight group homes included in "Executive New Proposals" in the SRS budget. Funds are also included in SRS present law to build and operate additional group homes. The executive has indicated additional funding will be requested in the 1999 biennium to build two more group homes.

LFA Issues - The executive includes one-time group home construction and start-up costs and on-going operating costs in the SRS budget. Since this proposal will eliminate 105 state jobs, the executive provides \$2,000 per EHSC employee in the DCHS budget for employee assistance, training and relocation programs. However, the executive does not provide for costs of termination payouts, which will include payments for accrued balances of employee's annual and sick leave. The Executive Budget does not provide an estimate of these costs.

The only request in the DCHS Executive Budget attributable to medicaid certification issues at EHSC is a request to fund a vocational program. The executive does not indicate whether additional funding will be required in future biennia to maintain medicaid certification if the EHSC remains in operation.

The executive offers no recommendation for the use of the EHSC facility. Since the facility was rejected as a site for the Eastern Montana Veterans Home, unless other options for its use are presented, the building will remain vacant. The executive does not estimate the cost of security or maintenance of the vacant facility.

6701 00 00000								
DEPT OF MILITARY AFFAIRS				BIENNIUM BUDGET COMPARISON				
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	97.65	(0.25)	97.40	97.65	(0.25)	97.40	97.65	97.40
Personal Services	3,098,954	(38,799)	3,060,155	3,107,767	(39,356)	3,068,411	5,968,729	6,128,566
Operating Expenses	2,635,593	4,457,088	7,092,681	2,645,586	3,730,131	6,375,717	5,465,394	13,468,398
Equipment	4,900	15,850	20,750	4,400	3,810	8,210	74,922	28,960
Grants	716,000	0	716,000	716,000	0	716,000	1,271,493	1,432,000
Benefits and Claims	2,280	0	2,280	2,280	0	2,280	4,560	4,560
Transfers	60,000	0	60,000	60,000	0	60,000	142,393	120,000
Debt Service	6,165	0	6,165	0	0	0	6,165	6,165
Total Costs	\$6,523,892	\$4,434,139	\$10,958,031	\$6,536,033	\$3,694,585	\$10,230,618	\$12,933,656	\$21,188,649
Fund Sources								
General Fund	2,054,433	149,306	2,203,739	2,056,795	119,373	2,176,168	3,988,478	4,379,907
State/Other Special	53,839	16,608	70,447	54,167	21,629	75,796	86,997	146,243
Federal Special	4,415,620	4,268,225	8,683,845	4,425,071	3,553,583	7,978,654	8,858,181	16,662,499
Total Funds	\$6,523,892	\$4,434,139	\$10,958,031	\$6,536,033	\$3,694,585	\$10,230,618	\$12,933,656	\$21,188,649

Agency Description

The Department of Military Affairs oversees all activities of the Army and Air National Guard, Disaster Coordination Response Division, and Veterans' Affairs Division. The department is administered by the Adjutant General and his staff, as provided for in section 2-15-1202, MCA. The department manages a joint federal-state program that keeps trained and equipped military organizations in readiness for the Governor in the event of a state emergency and the President in the event of a national emergency. Federal agencies control the military strength and mobilization missions of the Montana Guard. The department also plans for and coordinates state responses in disaster and emergency situations (Title 10, Chapter 3, MCA). The department manages and cooperates with state and federal agencies in providing statewide services for discharged veterans and their families (Title 10 Chapter 2, MCA).

6701 00 00000								
DEPT OF MILITARY AFFAIRS								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	98.94	(1.29)	(0.25)	97.40	(1.29)	(0.25)	97.40	97.40
Personal Services	2,990,425	108,529	(38,799)	3,060,155	117,342	(39,356)	3,068,411	6,128,566
Operating Expenses	2,402,479	233,114	4,457,088	7,092,681	243,107	3,730,131	6,375,717	13,468,398
Equipment	62,473	(57,573)	15,850	20,750	(58,073)	3,810	8,210	28,960
Grants	571,493	144,507	0	716,000	144,507	0	716,000	1,432,000
Benefits and Claims	2,280	0	0	2,280	0	0	2,280	4,560
Transfers	140,523	(80,523)	0	60,000	(80,523)	0	60,000	120,000
Debt Service	6,165	0	0	6,165	(6,165)	0	0	6,165
Total Costs	\$6,175,838	\$348,054	\$4,434,139	\$10,958,031	\$360,195	\$3,694,585	\$10,230,618	\$21,188,649
Fund Sources								
General Fund	1,951,162	103,271	149,306	2,203,739	105,633	119,373	2,176,168	4,379,907
State/Other Special	42,855	10,984	16,608	70,447	11,312	21,629	75,796	146,243
Federal Special	4,181,821	233,799	4,268,225	8,683,845	243,250	3,553,583	7,978,654	16,662,499
Total Funds	\$6,175,838	\$348,054	\$4,434,139	\$10,958,031	\$360,195	\$3,694,585	\$10,230,618	\$21,188,649

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	0.00	(\$7,439)	(\$7,439)	0.00	(\$7,699)	(\$7,699)
2 Attack Batt Armory Utilities	0.00	34,603	34,603	0.00	34,603	34,603
3 Environmental Tech Support	0.50	0	13,935	0.50	0	13,935
4 Facilities Management Support	1.00	15,986	31,971	1.00	15,986	31,972
5 State Maint. - Armory Backlog	0.00	105,000	105,000	0.00	80,000	80,000
6 Sev Contract/Deferred Maint	0.00	8,875	35,500	0.00	8,875	35,500
7 Range Program	0.00	0	153,162	0.00	0	153,162
8 Armory Rental	0.00	0	5,000	0.00	0	10,000
9 Youth Programs	1.00	0	3,689,562	1.00	0	2,977,380
10 Legislative Contract Authority	0.00	0	300,000	0.00	0	300,000
11 Personal Services Reductions	0.00	(3,381)	(3,381)	0.00	(3,500)	(3,500)
12 BA777-RCAS Utilities	0.00	0	75,000	0.00	0	75,000
13 Air Guard Utilities	0.00	7,536	30,152	0.00	8,261	33,046
14 Personal Services Reductions	(4.00)	0	(124,105)	(4.00)	0	(123,836)
15 Earthquake Program - DES	0.75	0	36,825	0.75	0	36,901
16 Legislative Contract Authority	0.00	0	50,000	0.00	0	50,000
17 DES New LAN	0.00	8,618	17,238	0.00	3,645	7,290
18 Personal Services Reductions	0.00	(6,424)	(6,424)	0.00	(6,649)	(6,649)
19 New Office Equipment	0.00	2,500	2,500	0.00	3,000	3,000
20 Cemetery Groundskeeper	0.50	0	11,608	0.50	0	11,629
21 Personal Services Reductions	0.00	(16,568)	(16,568)	0.00	(17,149)	(17,149)
Totals	(0.25)	\$149,306	\$4,434,139	(0.25)	\$119,373	\$3,694,585

6701 01 00000								
DEPT OF MILITARY AFFAIRS				OPERATIONS SUPPORT				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	6.64	(0.54)	0.00	6.10	(0.54)	0.00	6.10	6.10
Personal Services	226,201	5,400	(7,439)	224,162	6,535	(7,699)	225,037	449,199
Operating Expenses	90,101	(24,026)	0	66,075	(32,313)	0	57,788	123,863
Equipment	1,335	3,065	0	4,400	(1,335)	0	0	4,400
Benefits and Claims	2,280	0	0	2,280	0	0	2,280	4,560
Total Costs	\$319,917	(\$15,561)	(\$7,439)	\$296,917	(\$27,113)	(\$7,699)	\$285,105	\$582,022
Fund Sources								
General Fund	306,371	(15,857)	(7,439)	283,075	(27,556)	(7,699)	271,116	554,191
Federal Special	13,546	296	0	13,842	443	0	13,989	27,831
Total Funds	\$319,917	(\$15,561)	(\$7,439)	\$296,917	(\$27,113)	(\$7,699)	\$285,105	\$582,022

Program Description

The Operations Support program provides financial management, budgeting, personnel, communications supervision, and other administrative services for the agency. It also provides management support and supervision for the Army and Air National Guard and the Disaster Coordination Response Division, and administrative support for the Veterans' Affairs Division. The program also disburses funds to support the operation of the departmental headquarters.

Funding

This program is supported with general fund and federal funds. The federal funds continue action taken during the November 1993 Special Session, which substituted federal funds for general fund for 50 percent of an accounting technician position.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The adjustment in personal services is the net of additions for vacancy savings and continuation of the pay plan, and reductions for non-continuation of early retirement costs and elimination of a 0.54 FTE.

The executive eliminates a 0.54 FTE. This action increases the 0.46 FTE elimination from the November 1993 Special Session to a 1.0 FTE elimination in the 1997 biennium. The entire 1.0 FTE has been eliminated in fiscal 1995.

4) Equipment - The executive adds \$3,065 in fiscal 1996 to replace a copy machine.

5) Miscellaneous - Miscellaneous other adjustments reduce fiscal 1994 expenditures by \$1,335 in fiscal 1997.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(0.54)	\$5,400	(0.54)	\$6,535
2 Inflation/Deflation		(193)		(171)
3 Fixed Costs		(23,833)		(32,142)
<i>Other Executive Present Law Adjustments</i>				
4 Equipment		\$3,065		\$0
5 Miscellaneous		0		(1,335)
<i>Total Executive Present Law Adjustments</i>	<i>(0.54)</i>	<i>(\$15,561)</i>	<i>(0.54)</i>	<i>(\$27,113)</i>

Executive New Proposals

1) Personal Services Reductions - The executive proposes to implement 3.3 percent vacancy savings to achieve general fund savings of \$7,439 in fiscal 1996 and \$7,699 in fiscal 1997.

6701 01 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996		Fiscal 1997			
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions		(\$7,439)	(\$7,439)		(\$7,699)	(\$7,699)
Totals		(\$7,439)	(\$7,439)		(\$7,699)	(\$7,699)

DEPT OF MILITARY AFFAIRS
Program Summary
ARMY NATIONAL GUARD PGM

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	18.50	0.00	2.50	21.00	0.00	2.50	21.00	21.00
Personal Services	536,791	10,201	79,978	626,970	12,409	80,121	629,321	1,256,291
Operating Expenses	1,697,422	203,301	4,360,374	6,261,097	226,765	3,627,931	5,552,118	11,813,215
Equipment	26,702	(26,702)	0	0	(26,702)	0	0	0
Transfers	140,523	(80,523)	0	60,000	(80,523)	0	60,000	120,000
Total Costs	\$2,401,438	\$106,277	\$4,440,352	\$6,948,067	\$131,949	\$3,708,052	\$6,241,439	\$13,189,506
Fund Sources								
General Fund	752,109	56,974	161,083	970,166	74,040	135,964	962,113	1,932,279
State/Other Special	0	0	5,000	5,000	0	10,000	10,000	15,000
Federal Special	1,649,329	49,303	4,274,269	5,972,901	57,909	3,562,088	5,269,326	11,242,227
Total Funds	\$2,401,438	\$106,277	\$4,440,352	\$6,948,067	\$131,949	\$3,708,052	\$6,241,439	\$13,189,506

Program Description

The Army National Guard program sustains a trained and equipped military organization for use in the event of a state or national emergency. Program staff coordinate, plan, and implement training for guard personnel. The program is a joint state/federal effort with state responsibilities including maintenance of all National Guard facilities.

Funding

The Army National Guard program is funded with a combination of general fund and federal funds. Depending on the use of facilities maintained by the program, costs are either funded: 1) entirely with general fund; 2) entirely with federal funds; or 3) as a shared responsibility, with federal funds responsible for 75 percent of the cost and general fund responsible for 25 percent.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The executive adds \$10,201 in fiscal 1996 and \$12,409 in fiscal 1997 due to increases for vacancy savings and the pay plan, which are offset by non-continuation of fiscal 1994 early retirement costs and costs associated with the 0.5 FTE excluded from the base budget. Although the 0.5 FTE was eliminated from the base budget, the associated personal services costs were not. However, because the FTE was eliminated, those costs are not continued in the present law budget.
- 2) Inflation/Deflation & 3) Fixed Costs - Inflationary increases are associated with utility costs, while the fixed cost increases are for insurance.
- 4) Rent - The executive increases rent by \$10,092 in fiscal 1996 and \$10,512 in fiscal 1997 to annualize fiscal 1994 partial costs of the hangar rent for the Army Guard airplane.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$10,201		\$12,409
2 Inflation/Deflation		37,407		60,535
3 Fixed Costs		56,551		56,467
<i>Other Executive Present Law Adjustments</i>				
4 Rent		\$10,092		\$10,512
5 Repair & Maintenance		93,210		93,210
6 Equipment		(26,702)		(26,702)
7 Accounting Entity Transfers		(80,523)		(80,523)
8 Miscellaneous		6,041		6,041
<i>Total Executive Present Law Adjustments</i>	0.00	\$106,277	0.00	\$131,949

5) Repair and Maintenance - The executive adds \$93,210 per year for repair and maintenance. In fiscal 1994, this amount was transferred to the Architecture and Engineering (A&E) program in the Department of Administration to remodel the military academy.

6) Equipment - The executive eliminates fiscal 1994 equipment expenditures of \$26,702.

7) Accounting Entity Transfer - The executive reduces transfers by \$80,523 per year, leaving a 1997 biennium transfer budget of \$60,000 per year for the Environmental Program to contract with other state agencies for environmental projects. Included in the reduction is the non-continuation of the transfer of funds to A&E to remodel the military academy.

Executive New Proposals

1) Attack Battalion Utilities - This new proposal would add \$34,603 general fund each year to pay utility costs of the new attack battalion armory at the Helena airport complex, which will be operational by the start of fiscal 1996. Construction of the facility is 100 percent federally funded. Upon completion, repair and maintenance costs will be supported 75 percent federal funds and 25 percent general fund. However, utility costs are 100 percent state supported.

2) Environmental Tech Support - This new proposal would add a 0.5 FTE and \$13,935 of federal funds each year of the 1997 biennium to provide technical support to the professional staff in the Environmental Program. This position was added as a temporary position in both fiscal 1994 and 1995.

3) Facilities Management Support - This new proposal would add 1.0 FTE and \$31,971 in both years of the biennium to provide facilities management services. Funding is 50 percent general fund and 50 percent federal funds. Although the position will mainly work on maintenance of state owned armories, which is typically 100 percent general fund supported, the federal government has agreed to pay half the cost of this position, as it will also oversee operations of federally funded buildings.

6701 12 00000

Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Attack Batt Armory Utilities	0.00	\$34,603	\$34,603	0.00	\$34,603	\$34,603
2 Environmental Tech Support	0.50	0	13,935	0.50	0	13,935
3 Facilities Management Support	1.00	15,986	31,971	1.00	15,986	31,972
4 State Maint. - Armory Backlog	0.00	105,000	105,000	0.00	80,000	80,000
5 Sev Contract/Deferred Maint	0.00	8,875	35,500	0.00	8,875	35,500
6 Range Program	0.00	0	153,162	0.00	0	153,162
7 Armory Rental	0.00	0	5,000	0.00	0	10,000
8 Youth Programs	1.00	0	3,689,562	1.00	0	2,977,380
9 Legislative Contract Authority	0.00	0	300,000	0.00	0	300,000
10 Personal Services Reductions	0.00	(3,381)	(3,381)	0.00	(3,500)	(3,500)
11 BA777-RCAS Utilities	0.00	0	75,000	0.00	0	75,000
Totals	2.50	\$161,083	\$4,440,352	2.50	\$135,964	\$3,708,052

4) State Maintenance - Armory Backlog - The executive proposes to add general fund of \$105,000 in fiscal 1996 and \$80,000 in fiscal 1997 to address the backlog of routine maintenance needs at state owned armories that have been deferred due to budget cuts. According to agency staff, approval of this new proposal would eliminate the current backlog. Maintenance of state armories is 100 percent general fund supported.

5) Service Contract - Deferred Maintenance - This new proposal would add \$35,500 per year to catch up with the backlog of routine maintenance projects on state-owned buildings that has been deferred due to budget cuts. According to agency staff, approval of this proposal would eliminate the majority of the current backlog.

Because federal employees and programs are co-located in these state-owned buildings, 75 percent of the maintenance costs are supported with federal funds and 25 percent are supported with general fund.

LFA Issue - The amounts requested for repair and maintenance in numbers 4 and 5 above are in addition to a present law repair and maintenance budget of approximately \$916,000 over the biennium.

6) Range Program - This 100 percent federally funded new proposal would add \$153,162 each year to do repair and maintenance work at firing ranges, particularly at Fort Harrison and Townsend. This new proposal would continue a budget amendment authorized in fiscal 1995 that added \$30,228 to operate and maintain automated target systems on firing ranges.

7) Armory Rental - The executive proposes to add \$5,000 of state special revenue funds each year to enhance the current routine maintenance program by using armory rental fees to provide non-priority maintenance items such as carpeting and shelving that would otherwise not be available.

Currently, very few armories charge a rental fee for use of the facility. In fiscal 1994, the agency deposited \$335 in the general fund from armory rental fees. If this proposal were approved, rental fee collections would be deposited in a state special revenue account in the 1997 biennium.

LFA Issue - When the revenue source becomes predictable, and the list of enhanced maintenance projects is exhausted, the legislature may wish to consider utilizing armory rental fees in lieu of a portion of general fund support of the program.

8) Youth Programs - The executive proposes to add 1.0 FTE and federal funds of almost \$3.7 million in fiscal 1996 and \$3.0 million in fiscal 1997 to administer pilot programs under the National Guard Civilians Youth Opportunities program. The agency would contract for operation of live-in programs for youth who have quit high school to teach them life skills and assist them in obtaining their GED. Agency personnel state this program would be coordinated with other education and life skill programs for this target population (such as Job Training Partnership programs, the Jobs for Montana Graduates program, etc).

9) Legislative Contract Authority (LCA) - The executive proposes to add \$300,000 per year of federal spending authority to allow the Army National Guard to expend additional federal funds that may become available in a timely manner in lieu of waiting to add them through a budget amendment. The executive is also proposing that language be added to the general appropriations act regarding the LCA: a) that prior to authorizing use of the LCA, OBPP must require contract justification; and b) LCA appropriations must be accounted for and reported separately from all other appropriations. For a further discussion of LCA, refer to Section C, Department of Fish, Wildlife, and Parks' agency level "Other LFA Issues."

10) Personal Services Reduction - The executive proposes to implement 0.6 percent vacancy savings to achieve general fund savings of \$3,381 in fiscal 1996 and \$3,500 in fiscal 1997.

11) RCAS Utilities - This new proposal would continue a budget amendment begun in fiscal 1995 by adding \$75,000 per year of federal funds to pay additional utility costs associated with the federal Reserve Component Automation System (RCAS) currently being implemented in Montana. This system allows armories nationwide to be linked electronically through computer terminals.

6701 13 00000								
DEPT OF MILITARY AFFAIRS				AIR NATIONAL GUARD PGM				
Program Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	35.00	0.00	(4.00)	31.00	0.00	(4.00)	31.00	31.00
Personal Services	1,083,780	59,874	(124,105)	1,019,549	58,610	(123,836)	1,018,554	2,038,103
Operating Expenses	421,863	9,838	30,152	461,853	22,992	33,046	477,901	939,754
Equipment	400	(400)	0	0	(400)	0	0	0
Total Costs	\$1,506,043	\$69,312	(\$93,953)	\$1,481,402	\$81,202	(\$90,790)	\$1,496,455	\$2,977,857
Fund Sources								
General Fund	144,637	4,243	7,536	156,416	7,709	8,261	160,607	317,023
Federal Special	1,361,406	65,069	(101,489)	1,324,986	73,493	(99,051)	1,335,848	2,660,834
Total Funds	\$1,506,043	\$69,312	(\$93,953)	\$1,481,402	\$81,202	(\$90,790)	\$1,496,455	\$2,977,857

Program Description

The Air National Guard program maintains a trained and equipped military organization for use in the event of a state or national emergency. The program staff provides clerical, facilities maintenance, and fire protection support to the Air National Guard base at Gore Hill near Great Falls.

Funding

The Air Guard program is supported with general fund and federal funds. Personal services costs for firefighters, the contract for firefighting support with the Great Falls airport, and payroll service fees are federally funded. The balance of program costs are supported 75 percent with federal funds and 25 percent with general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - Increases are primarily because of firefighter pay increases due to contract renegotiation in fiscal 1994.
- 4) Contracts with Non-Profit Organizations - The executive eliminates fiscal 1994 expenditures of \$12,029 for a contract with a non-profit organization which will not continue in the 1997 biennium.
- 5) Repair and Maintenance - This reduction is the net result of additional funds to annualize an under-utilized contract for snow removal in the light snow year of fiscal 1994, and the removal of funds for a janitorial contract that was eliminated as a target reduction by the 1993 legislature.

Although the legislature eliminated 1995 biennium funding for the janitorial contract, the Air Guard continued paying for the service out of other program funds for almost all of fiscal 1994. The contract has been eliminated in fiscal 1995.

Present Law Adjustments/Issues

Description	FTE	Adjustments	FTE	Adjustments
	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$59,874		\$58,610
2 Inflation/Deflation		24,609		37,924
3 Fixed Costs		8,612		8,451
<i>Other Executive Present Law Adjustments</i>				
4 Contracts with Non-Profits		(\$12,029)		(\$12,029)
5 Repair & Maintenance		(11,354)		(11,354)
6 Miscellaneous		(400)		(400)
<i>Total Executive Present Law Adjustments</i>	0.00	\$69,312	0.00	\$81,202

Executive New Proposals

- 1) Air Guard Utilities - This new proposal would add \$30,152 in fiscal 1996 and \$33,046 in fiscal 1997 to pay utility costs of two new buildings (a fire station and a medical dining facility) built by the federal government. Funding for the utility costs is 25 percent general fund and 75 percent federal funds.
- 2) Personal Services Reduction - The executive proposes to eliminate 4.0 FTE firefighters to achieve federal fund savings of \$124,105 in fiscal 1996 and \$123,836 in fiscal 1997. The proposal would not require any layoffs, as three of the positions are currently vacant due to federal funding cutbacks and the other is anticipated to be vacated prior to the beginning of the 1997 biennium.

6701 13 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Air Guard Utilities		\$7,536	\$30,152		\$8,261	\$33,046
2 Personal Services Reductions	(4.00)		(124,105)	(4.00)		(123,836)
Totals	(4.00)	\$7,536	(\$93,953)	(4.00)	\$8,261	(\$90,790)

Other LFA Issues

- 1) Performance Based Budgeting (PBB) Pilot - The Air Guard program is one of three statutory programs participating in the PBB pilot project during the 1997 biennium. The PBB pilot project was endorsed by the 1993 legislature through language in HB2, which: a) encouraged the governor to foster development of a mission-driven, results-oriented budget system to enhance flexibility and improve decision making information available to the 1995 legislature; and b) specified four departments, including Military Affairs, that should be involved in the PBB project designed by the executive branch.

The purpose of the PBB pilot project is to preview a method of budgeting that holds agencies accountable for the expenditure of resources based on service accomplishment.

The methodology provides additional information to decision makers that ties appropriations to goals and to measurable performance objectives. These performance measures can be used both to provide policy guidance and to evaluate performance outcomes. Results can then be compared to established targets. There were no present law adjustments made to the Air Guard program for PBB purposes.

The Air Guard program will still be budgeted in the same manner in the general appropriations act, although target performance measures will be established for the program appropriation. The executive is also proposing that language be added to the bill stating: a) that the appropriation is contingent upon the funds being used to attempt to achieve the program performance targets outlined (below); and b) programs participating in the PBB pilot must submit semi-annual reports to the Office of Budget and Program Planning (OBPP) and the Legislative Fiscal Analyst (LFA) on progress toward achievement of the performance targets. A further discussion of PBB is included in the "Executive Budget Analysis" section.

Table 1 outlines the Air Guard PBB goals and performance targets in the 1997 biennium.

Table 1
Air Guard Program PBB
Goals and Performance Targets
1997 Biennium

GOALS	PERFORMANCE TARGET
#1 -Provide reliable facilities and utilities to meet readiness requirements and satisfy installation needs.	- Achieve satisfactory or higher rating for all outside agency directed inspections, audits, and staff assistance visits.
#2 -Conduct all activities in compliance with environmental, fire, and safety laws and directives.	- Achieve satisfactory or higher rating for all environmental and safety inspections, audits, and staff assistance visits.
#3 -Operate, maintain, repair, and construct real property and installed equipment to accomplish mission in most economical manner.	- Achieve satisfactory or higher ratings on ANG Civil Engineer Technical Services assessment.
#4 -Provide effective management of contracted services including garbage, pest control, minor construction, design, and grounds.	- Complete all as estimated to customers and control contract services costs within acceptable parameters.

DEPT OF MILITARY AFFAIRS

Program Summary

DISASTER COORDINATION RESPONSE

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	20.00	(0.75)	0.75	20.00	(0.75)	0.75	20.00	20.00
Personal Services	648,206	17,469	17,727	683,402	21,487	17,578	687,271	1,370,673
Operating Expenses	126,932	15,258	66,562	208,752	(1,452)	69,154	194,634	403,386
Equipment	32,644	(32,644)	13,350	13,350	(28,244)	810	5,210	18,560
Grants	571,493	144,507	0	716,000	144,507	0	716,000	1,432,000
Total Costs	\$1,379,275	\$144,590	\$97,639	\$1,621,504	\$136,298	\$87,542	\$1,603,115	\$3,224,619
Fund Sources								
General Fund	221,735	25,459	2,194	249,388	24,893	(3,004)	243,624	493,012
Federal Special	1,157,540	119,131	95,445	1,372,116	111,405	90,546	1,359,491	2,731,607
Total Funds	\$1,379,275	\$144,590	\$97,639	\$1,621,504	\$136,298	\$87,542	\$1,603,115	\$3,224,619

Program Description

The Disaster Coordination Response Division: 1) works with local, state, and federal officials to prepare, update, and coordinate emergency preparedness, response, and recovery plans; 2) provides technical support for civil defense shelters and exercises and radiological defense and monitoring; and 3) receives, records, and disburses federal funds to eligible political subdivisions. Federal reimbursement programs include, but are not limited to: emergency management assistance, emergency operation center construction and furnishing, communication and warning equipment, supporting materials, and disaster recovery. Political subdivisions must provide matching funds for all federal reimbursement programs except disaster recovery. The division was reorganized in fiscal 1995 to include the formerly separate emergency management development and local reimbursement programs.

Funding

The Disaster Coordination Response Division is supported with general fund and federal funds. The disaster coordination function is 50 percent general fund and 50 percent federal funds, while all other functions are federally funded.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The executive adds funds primarily because of additions for vacancy savings, the pay plan, and increased benefit costs, offset by the elimination of a 0.75 FTE and noncontinuation of fiscal 1994 early retirement costs.

The executive eliminates a 0.75 FTE, which was eliminated in fiscal 1994 due to a loss of federal funding. The 0.75 FTE is being requested again in the 1997 biennium through a new proposal, as federal funds have once again been secured.

4) Local Reimbursement - The executive adds \$144,507 per year to the amount of anticipated FEMA pass-through funds that will be available for distribution to local governments.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(0.75)	\$17,469	(0.75)	\$21,487
2 Inflation/Deflation		(387)		(377)
3 Fixed Costs		15,712		(1,008)
<i>Other Executive Present Law Adjustments</i>				
4 Local Reimbursement		\$144,507		\$144,507
5 Equipment		(32,644)		(28,244)
6 Miscellaneous		(67)		(67)
<i>Total Executive Present Law Adjustments</i>	<u>(0.75)</u>	<u>\$144,590</u>	<u>(0.75)</u>	<u>\$136,298</u>

5) Equipment - The executive reduces fiscal 1994 equipment expenditures by \$32,644 in fiscal 1996 and \$28,244 in fiscal 1997. The request is for replacement computer workstations in fiscal 1997.

6701 21 00000

Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Earthquake Program - DES	0.75	\$0	\$36,825	0.75	\$0	\$36,901
2 Legislative Contract Authority	0.00	0	50,000	0.00	0	50,000
3 DES New LAN	0.00	8,618	17,238	0.00	3,645	7,290
4 Personal Services Reductions	0.00	(6,424)	(6,424)	0.00	(6,649)	(6,649)
Totals	0.75	\$2,194	\$97,639	0.75	(\$3,004)	\$87,542

Executive New Proposals

1) Earthquake Program - This new proposal adds 0.75 FTE and federal funds of \$36,825 in fiscal 1996 and \$36,901 in fiscal 1997 to restore the 0.25 FTE earthquake coordinator position in present law to a full FTE in the 1997 biennium and proportionately increase the program operating budget.

2) Legislative Contract Authority (LCA) - The executive proposes to add \$50,000 per year of federal spending authority to allow DES to expend additional federal funds that may become available in a timely manner in lieu of waiting to add them through a budget amendment. The executive is also proposing that language be added to the general appropriations act regarding the LCA: a) that prior to authorizing use of the LCA, OBPP must require contract justification; and b) LCA appropriations must be accounted for and reported separately from all other appropriations. For a further discussion of LCA, refer to Section C, the Department of Fish, Wildlife, and Parks' agency level "Other LFA Issues."

- 3) DES New Local Area Network (LAN) - This new proposal would add \$17,238 in fiscal 1996 and \$3,645 in fiscal 1997 to purchase and install equipment and software to setup a LAN. Funding is 50 percent general fund and 50 percent federal funds.
- 4) Personal Services Reduction - The executive proposes to implement a less than 1 percent vacancy savings rate to generate general fund savings of \$6,424 in fiscal 1996 and \$6,649 in fiscal 1997.

6701 31 00000								
DEPT OF MILITARY AFFAIRS				VETERANS AFFAIRS PROGRAM				
Program Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	18.80	0.00	0.50	19.30	0.00	0.50	19.30	19.30
Personal Services	495,447	15,585	(4,960)	506,072	18,301	(5,520)	508,228	1,014,300
Operating Expenses	66,161	28,743	0	94,904	27,115	0	93,276	188,180
Equipment	1,392	(892)	2,500	3,000	(1,392)	3,000	3,000	6,000
Debt Service	6,165	0	0	6,165	(6,165)	0	0	6,165
Total Costs	\$569,165	\$43,436	(\$2,460)	\$610,141	\$37,859	(\$2,520)	\$604,504	\$1,214,645
Fund Sources								
General Fund	526,310	32,452	(14,068)	544,694	26,547	(14,149)	538,708	1,083,402
State/Other Special	42,855	10,984	11,608	65,447	11,312	11,629	65,796	131,243
Total Funds	\$569,165	\$43,436	(\$2,460)	\$610,141	\$37,859	(\$2,520)	\$604,504	\$1,214,645

Program Description

The Veterans' Affairs Division assists discharged veterans and their families, cooperates with state and federal agencies, promotes the general welfare of veterans, and provides information on veterans' benefits. The program also administers the veterans' cemetery located at Fort Harrison in Helena.

Funding

The Veterans Affairs Program is funded with general fund and state special revenue funds from donations, license plate fees, and plot allowances.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The executive adds \$15,585 in fiscal 1996 and \$18,301 in fiscal 1997 due to the standard personal services adjustments partially offset by non-continuation of fiscal 1994 retirement costs and costs associated with the 0.12 FTE excluded from the base budget. Although the 0.12 FTE was excluded from the base budget, the associated personal services costs were not. However, because the FTE was eliminated, those costs are not continued in the present law budget.

4) Donation Spending Authority - The executive adds \$10,500 per year of state special revenue spending authority to allow the expenditure of additional cemetery donations and burial plot allowances, making the total present law base spending authority for these revenues \$19,757 per year. In fiscal 1993, donations and plot allowance receipts amounted to \$12,498, while fiscal 1994 receipts were \$26,482.

5) Other Services - The executive adds \$6,415 in fiscal 1997 for contracted gravesite work at the Veterans Cemetery.

6) Travel - The executive adds \$3,944 per year to annualize travel expenditures that were lower than usual in fiscal 1994 due to fewer than usual board meetings.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$15,585		\$18,301
2 Inflation/Deflation		1,270		1,813
3 Fixed Costs		13,620		5,284
<i>Other Executive Present Law Adjustments</i>				
4 Donation Spending Authority		\$10,500		\$10,500
5 Other Services		0		6,415
6 Travel		3,944		3,944
7 Equipment		(892)		(1,392)
8 Miscellaneous		(591)		(7,006)
<i>Total Executive Present Law Adjustments</i>	0.00	\$43,436	0.00	\$37,859

7) Equipment - The equipment budget is for replacement equipment, and is below fiscal 1994 expenditure levels.

6701 31 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 New Office Equipment		\$2,500	\$2,500		\$3,000	\$3,000
2 Cemetery Groundskeeper	0.50		11,608	0.50		11,629
3 Personal Services Reductions		(16,568)	(16,568)		(17,149)	(17,149)
Totals	0.50	(\$14,068)	(\$2,460)	0.50	(\$14,149)	(\$2,520)

Executive New Proposals

1) New Office Equipment - This new proposal would add general fund of \$2,500 in fiscal 1997 and \$3,000 in fiscal 1997 to purchase new equipment for field offices. Equipment to be purchased would include copiers, a typewriter, and answering machines.

2) Cemetery Groundskeeper - The executive recommends the addition of 0.5 FTE and state special revenue of \$11,608 in fiscal 1996 and \$11,629 in fiscal 1997 to continue employment of a part-time cemetery groundskeeper added as a 0.12 temporary position in fiscal 1994. Funding is from revenue received from veterans license plate sales.

3) Personal Services Reduction - The executive proposes to implement a vacancy savings rate of approximately 3.2 percent each year to achieve general fund savings of \$16,568 in fiscal 1996 and \$17,149 in fiscal 1997.

EDUCATION



JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

Office of Public Instruction

Board of Public Education

School for the Deaf and Blind

Vocational Education Council

Commissioner of Higher Education

Community Colleges

Colleges of Technology

Montana University System (MUS)

Agricultural Experiment Station

Cooperative Extension Service

Forestry and Conservation Experiment Station

Bureau of Mines

Fire Services Training School

-----Committee Members-----

House

Representative Royal Johnson (Chair)

Representative Mike Kadas

Representative Don Holland

Senate

Senator Daryl Toews (Vice-Chair)

Senator Arnie Mohl

Senator Greg Jergeson

-----Fiscal Analyst Staff-----

Sandy Whitney
Skip Culver



3501 00 00000

OFFICE OF PUBLIC INSTRUCTION			BIENNIUM BUDGET COMPARISON					
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	134.23	4.00	138.23	134.23	1.00	135.23	136.73	135.23
Personal Services	4,920,537	(107,747)	4,812,790	4,917,259	(108,623)	4,808,636	9,658,835	9,621,426
Operating Expenses	4,171,995	712,470	4,884,465	4,131,893	608,876	4,740,769	7,875,533	9,625,234
Equipment	95,014	0	95,014	89,302	0	89,302	404,992	184,316
Local Assistance	48,713,940	2,727,988	51,441,928	44,834,528	3,451,319	48,285,847	191,231,546	99,727,775
Grants	67,875,917	0	67,875,917	55,392,787	0	55,392,787	62,624,616	123,268,704
Transfers	919,107	0	919,107	27,765	0	27,765	950,984	946,872
Total Costs	\$126,696,510	\$3,332,711	\$130,029,221	\$109,393,534	\$3,951,572	\$113,345,106	\$272,746,506	\$243,374,327
Fund Sources								
General Fund	50,040,093	177,580	50,217,673	43,588,451	17,001	43,605,452	191,594,786	93,823,125
State/Other Special	4,833,130	82,057	4,915,187	4,833,130	83,347	4,916,477	9,996,765	9,831,664
Federal Special	70,744,734	3,099,957	73,844,691	59,887,748	3,878,246	63,765,994	20,571,004	137,610,685
Proprietary	1,078,553	(26,883)	1,051,670	1,084,205	(27,022)	1,057,183	2,135,920	2,108,853
Agency Fund	0	0	0	0	0	0	48,448,031	0
Total Funds	\$126,696,510	\$3,332,711	\$130,029,221	\$109,393,534	\$3,951,572	\$113,345,106	\$272,746,506	\$243,374,327

Agency Description

The Superintendent of Public Instruction is an elected official mandated by Section 1, Article VI, of the Montana constitution. Section 20-3-106, MCA, states that the Superintendent "...has the general supervision of the public schools and districts of the state." Section 20-7-301, MCA, names the Superintendent as "the governing agent and executive officer" for vocational education in Montana. The Office of Public Instruction (OPI) provides services to Montana's school-age children and to teachers in the state's more than 500 school districts. The staff provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, school curriculum, school finance, and school law. The staff administers a number of federally-funded programs and provides a variety of information services.

Supplemental - School Transportation

The executive is requesting a \$1,720,000 general fund supplemental to allow the state to reimburse school districts for transportation costs in accordance with the payment schedules set forth in 20-10-140, MCA; 20-10-142, MCA; and 20-10-145, MCA. In June, the Office of Budget and Program Planning approved a transfer of \$800,000 from the fiscal 1995 general fund appropriation for transportation into fiscal 1994 to cover the increased transportation payments to the school districts in fiscal 1994. The supplemental includes \$800,000 to replace the amount transferred and an additional \$920,000 for fiscal 1995. By statute the state must reimburse school districts for the transportation costs incurred by a school district in transporting eligible students to and from school.

According to the Office of Public Instruction, the increase in school transportation payments is due to a combination of: 1) additional bus routes; 2) growing number of students riding school buses; and 3) a decline in school district transportation cash reserves available to reduce the state's share.

In recent history there have been two general fund supplementals approved by the legislature for school transportation: 1) the 1987 legislature approved a supplemental of \$281,586 for fiscal 1987; and 2) the 1989 legislature approved a supplemental of \$215,000 for fiscal 1989.

3501 00 00000								
OFFICE OF PUBLIC INSTRUCTION								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	139.23	(5.00)	4.00	138.23	(5.00)	1.00	135.23	135.23
Personal Services	4,886,070	34,467	(107,747)	4,812,790	31,189	(108,623)	4,808,636	9,621,426
Operating Expenses	3,149,416	1,022,579	712,470	4,884,465	982,477	608,876	4,740,769	9,625,234
Equipment	221,008	(125,994)	0	95,014	(131,706)	0	89,302	184,316
Local Assistance	45,067,029	3,646,911	2,727,988	51,441,928	(232,501)	3,451,319	48,285,847	99,727,775
Grants	54,806,813	13,069,104	0	67,875,917	585,974	0	55,392,787	123,268,704
Transfers	529,859	389,248	0	919,107	(502,094)	0	27,765	946,872
Total Costs	\$108,660,195	\$18,036,315	\$3,332,711	\$130,029,221	\$733,339	\$3,951,572	\$113,345,106	\$243,374,327
Fund Sources								
General Fund	45,289,541	4,750,552	177,580	50,217,673	(1,701,090)	17,001	43,605,452	93,823,125
State/Other Special	4,962,768	(129,638)	82,057	4,915,187	(129,638)	83,347	4,916,477	9,831,664
Federal Special	8,920,115	61,824,619	3,099,957	73,844,691	50,967,633	3,878,246	63,765,994	137,610,685
Proprietary	1,039,740	38,813	(26,883)	1,051,670	44,465	(27,022)	1,057,183	2,108,853
Agency Fund	48,448,031	(48,448,031)	0	0	(48,448,031)	0	0	0
Total Funds	\$108,660,195	\$18,036,315	\$3,332,711	\$130,029,221	\$733,339	\$3,951,572	\$113,345,106	\$243,374,327

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

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Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Goals 2000=Educate America	2.00	\$0	\$289,332	2.00	\$0	\$332,731
2 Arts & English Curri Framework	0.00	0	75,000	0.00	0	75,000
3 Health Enhancement Grant	0.00	0	102,950	0.00	0	115,000
4 CO-OP Food Purchase Program	0.00	0	2,273	0.00	0	3,613
5 Revolving School Food Commodit	0.00	0	55,000	0.00	0	55,000
6 Traffic Safety Ed/Private Fund	0.00	0	34,560	0.00	0	34,560
7 Traffic Education	2.00	130,000	130,000	2.00	130,000	130,000
8 MAEFAIRS	0.00	160,000	160,000	0.00	0	0
9 Personal Services Reductions	0.00	(112,420)	(244,392)	(3.00)	(112,999)	(245,651)
10 Goals 2000=Educate America	0.00	0	2,603,988	0.00	0	3,327,319
11 Arts & English Curri Framework	0.00	0	124,000	0.00	0	124,000
Totals	4.00	\$177,580	\$3,332,711	1.00	\$17,001	\$3,951,572

Other LFA Issues

Teachers' Certification - The Executive Budget for OPI includes approximately \$157,000 of general fund each year to fund the administration of the teacher certification program (section 20-4-103, MCA). The responsibilities of this program include the licensure of teachers to teach in Montana. Duties include: 1) evaluation of candidates; 2) review of teacher education programs; 3) investigation of teacher malfeasance; and 4) enforcement of professional standards.

Statute presently sets the teacher license rates at \$6 per year. Of this amount, \$3 is used to fund the certification standards and practices advisory council, which is administratively attached to the Board of Public Education. The remaining \$3 is statutorily appropriated to the advisory council for use on special projects and research studies. No certification fees are appropriated to OPI to support the teacher certification duties of that office.

OPTION: Based upon figures provided by OPI, there are approximately 24,000 certified teachers in Montana. Increasing the annual teacher certification fee by \$7 per year would raise an additional \$168,000 each year. This revenue could then be used to replace the general fund appropriation supporting OPI's teacher certification function.

OFFICE OF PUBLIC INSTRUCTION**OPI ADMINISTRATION**

Program Summary

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	139.23	(5.00)	4.00	138.23	(5.00)	1.00	135.23	135.23
Personal Services	4,886,070	34,467	(107,747)	4,812,790	31,189	(108,623)	4,808,636	9,621,426
Operating Expenses	3,129,646	1,042,349	712,470	4,884,465	1,002,247	608,876	4,740,769	9,625,234
Equipment	220,846	(125,832)	0	95,014	(131,544)	0	89,302	184,316
Local Assistance	17,161	(17,161)	0	0	(17,161)	0	0	0
Grants	70,227	7,045	0	77,272	7,045	0	77,272	154,544
Transfers	476,516	442,591	0	919,107	(448,751)	0	27,765	946,872
Total Costs	\$8,800,466	\$1,383,459	\$604,723	\$10,788,648	\$443,025	\$500,253	\$9,743,744	\$20,532,392
Fund Sources								
General Fund	3,553,948	580,371	177,580	4,311,899	(391,859)	17,001	3,179,090	7,490,989
State/Other Special	549,027	(124,063)	82,057	507,021	(124,063)	83,347	508,311	1,015,332
Federal Special	3,657,751	888,338	371,969	4,918,058	914,482	426,927	4,999,160	9,917,218
Proprietary	1,039,740	38,813	(26,883)	1,051,670	44,465	(27,022)	1,057,183	2,108,853
Total Funds	\$8,800,466	\$1,383,459	\$604,723	\$10,788,648	\$443,025	\$500,253	\$9,743,744	\$20,532,392

Program Description

The Administration program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing prescribed duties. The program: 1) supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board; 2) is responsible for the distribution and accounting of state and federal funds provided to school districts; 3) provides operational support to OPI; and 4) provides assistance and information to school districts. The program administers all federal grants received by OPI, including the budgets for: 1) curriculum assistance; 2) special education; 3) Chapter I administration; 4) secondary vocational education administration; 5) Title IV administration; and 6) other educational services including driver's education, school food services, and audiology.

Funding

The Administration program of the Office of Public Instruction is funded from the following sources: 1) general fund; 2) state special revenue; 3) federal grants; and 4) proprietary funds. The general fund includes biennial appropriations for the audit conducted by the Office of the Legislative Auditor and for the general fund transfer to the proprietary fund. The proprietary fund receives revenue as indirect costs from all agency funding sources and is used to pay for the cost of providing support services such as accounting, payroll, word processing, and data processing.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - A reduction of 5.0 FTE and approximately \$47,000 each year is associated with the removal of traffic education funding from the base. The balance of funding for the 5.0 FTE was a language appropriation removed from the base as an adjustment to actual expenditures. With the passage of HB 89, the 1993 legislature reduced state revenue to the traffic safety account and increased revenue to the general fund. The legislature further directed that all traffic safety revenue be distributed to the school districts. The legislature then replaced the

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(5.00)	\$34,467	(5.00)	\$31,189
2 Inflation/Deflation		19,764		27,219
3 Fixed Costs		94,650		29,463
<i>Other Executive Present Law Adjustments</i>				
4 Consulting Services		\$18,340		\$17,418
5 Communications		32,203		36,203
6 Travel		10,063		10,063
7 Rent		15,772		15,772
8 Repair & Maintenance		26,817		26,817
9 Federal Funds		824,740		839,292
10 Equipment		(125,832)		(131,544)
11 Grants from Federal Sources		(10,116)		(10,116)
12 Accounting Entity Transfers		442,591		(448,751)
<i>Total Executive Present Law Adjustments</i>	<i>(5.00)</i>	<i>\$1,383,459</i>	<i>(5.00)</i>	<i>\$443,025</i>

earmarked revenue appropriation to administer the traffic education program with a reduced amount appropriated from the general fund. The legislature directed OBPP and the LFA to exclude the general fund appropriation for traffic education in the base budget for the 1997 biennium.

Offsetting the traffic safety reductions are increases due to: a) upgrades of staff, which total approximately \$40,000 each year; and b) the continuation of the 1995 biennium pay plan. When these increases are considered along with the FTE reduction, the net result to personal services is an additional \$34,467 in fiscal 1996 and \$31,189 in fiscal 1997.

2) Inflation & 3) Fixed Costs - The Executive Budget includes fixed costs increases from the 1994 base of \$94,650 for fiscal 1996 and \$29,463 for fiscal 1997. The biennial budget for audit fees increases by \$33,717 in fiscal 1996 to \$67,797. Other significant fixed costs adjustments include increases in: a) insurance and bonds of approximately \$10,000 each year; b) rent paid to the Department of Administration (DoA) of approximately \$21,000 for fiscal 1996 and \$24,000 for fiscal 1997; c) data network fees paid to the DoA of \$27,000 each year; and d) payroll service fees of \$2,600 each year.

4) Consulting Services - Consulting services associated with a proposed contract with Montana State University to develop nutrition standards and guidelines for educators involved in food services for school districts was added. This contract results in an increase of \$41,425 each year of the biennium and is paid from federal grant funds. OPI is also shifting some personal services funds into the statewide audiology contract beginning in fiscal 1996, increasing the audiology contract by \$21,114 each year of the biennium. Other consulting service contracts are decreased, resulting in a net increase for consulting services of \$18,340 in fiscal 1996 and \$17,418 in fiscal 1997.

- 5) Communications - Communications increases by \$32,203 each year as a result of the installation of additional "800" phone lines for the Montana Educational Telecommunications Network (METNET).
- 6) Travel - The travel budget is increased by \$10,063 each year due to increased travel associated with training school districts to use the new METNET software.
- 7) Rent - Rental costs for the use of non-state owned buildings occupied by OPI increase by \$15,772 each year.
- 8) Repair & Maintenance - Repair and maintenance costs include maintenance contracts for personal computers, files servers, and printers. The increase of \$26,817 each year is the result of the base year being understated due to credit received and applied in fiscal 1994 for a prior year overcharge.
- 9) Federal Funds - The increase of \$824,740 in fiscal 1996 and \$839,292 in fiscal 1997 reflect anticipated increases in federal programs administered by OPI.
- 10) Equipment - The Executive Budget for equipment includes \$95,014 for fiscal 1996 and \$89,302 for fiscal 1997, compared to a base budget of \$220,846. The Executive Budget is recommending that personal computers and file servers purchased between 1981 and 1991 be upgraded with new computer hardware capable of using the state standard "windows" operating system. Presently, OPI has approximately 140 personal computers and eight file servers located in four separate buildings. This equipment request will replace 65 personal computers and four file servers during the 1997 biennium.
- 11) Grants from Federal Sources - Federal Chapter II school effectiveness grants are budgeted at \$77,272 for each year of the 1997 biennium, a decrease of \$10,116 each year from the base budget.
- 12) Accounting Entity Transfers - The OPI centralized services support function is funded from a proprietary account receiving revenue from all programs within OPI. The revenue is transferred into the proprietary account from the general fund, state special revenue accounts, and federal accounts. The general fund contribution to the proprietary account is shown as an accounting entity transfer (the money transfers from the general fund to the proprietary account). The legislature authorized this transfer as a biennial appropriation to accommodate cash flow problems between fiscal years. The present law increase of \$442,591 in fiscal 1996 and the reduction of \$448,751 in fiscal 1997 are a result of the biennial appropriation budgeted in the first year (fiscal 1996) of the biennium.

The executive present law budget is detailed by program in Table 1.

Table 1
OPI Administration Programs

Sub Program	FTE	----- Fiscal 1996 -----			FTE	----- Fiscal 1997 -----		
		General Fund	Other Funds	Total		General Fund	Other Funds	Total
Superintendent's Office	13.20	\$740,563	\$0	\$740,563	13.20	\$733,213	\$0	\$733,213
Central Services	19.55	959,139	1,078,553	2,037,692	19.55	0	1,084,205	1,084,205
School District Accounting	8.00	423,859	0	423,859	8.00	425,899	0	425,899
Data Processing	4.00	267,243	0	267,243	4.00	262,145	0	262,145
Teacher Certification	4.00	157,010	0	157,010	4.00	157,783	0	157,783
Education Technology	7.00	170,801	265,000	435,801	7.00	170,783	265,000	435,783
School Food Service	8.50	67,277	476,077	543,354	8.50	67,277	488,150	555,427
Basic Education	22.92	582,794	1,073,360	1,656,154	22.92	578,774	1,075,265	1,654,039
Vocational Education	8.50	196,903	262,170	459,073	8.50	196,903	263,348	460,251
Traffic Education	2.00	0	173,575	173,575	2.00	0	173,575	173,575
Health Enhancement	4.88	55,393	362,888	418,281	4.88	55,497	364,556	420,053
Special Education	14.35	404,801	1,190,188	1,594,989	14.35	404,801	1,194,588	1,599,389
Chapter 1	7.55	0	612,885	612,885	7.55	0	615,159	615,159
Equity	5.35	50,684	367,308	417,992	5.35	50,936	369,056	419,992
Adult Homeless Services	4.43	57,852	187,602	245,454	4.43	58,078	188,500	246,578
Total Present Law	134.23	4,134,319	6,049,606	10,183,925	134.23	3,162,089	6,081,402	9,243,491
Executive New Proposals	4.00	177,580	427,143	604,723	4.00	17,001	483,252	500,253
Total Executive Budget	138.23	\$4,311,899	\$6,476,749	\$10,788,648	138.23	\$3,179,090	\$6,564,654	\$9,743,744

Executive New Proposals

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Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Goals 2000=Educate America	2.00	\$0	\$289,332	2.00	\$0	\$332,731
2 Arts & English Curri Framework	0.00	0	75,000	0.00	0	75,000
3 Health Enhancement Grant	0.00	0	102,950	0.00	0	115,000
4 CO-OP Food Purchase Program	0.00	0	2,273	0.00	0	3,613
5 Revolving School Food Commodit	0.00	0	55,000	0.00	0	55,000
6 Traffic Safety Ed/Private Fund	0.00	0	34,560	0.00	0	34,560
7 Traffic Education	2.00	130,000	130,000	2.00	130,000	130,000
8 MAEFAIRS	0.00	160,000	160,000	0.00	0	0
9 Personal Services Reductions	0.00	(112,420)	(244,392)	(3.00)	(112,999)	(245,651)
Totals	4.00	\$177,580	\$604,723	1.00	\$17,001	\$500,253

1) Goals 2000: Educate America Act - This new proposal includes 2.0 FTE and federal funds of \$289,322 in fiscal 1996 and \$332,731 for fiscal 1997. These funds are made available to Montana by the Educate America Act (PL 103-227) signed by President Clinton on March 30, 1994. The Governor and the Superintendent of Public Instruction must jointly appoint a state panel to develop a state plan to establish strategies for improved governance, accountability, and management of the state's education system. These funds represent 10 percent of the grant to be used by OPI in implementing the state's plan. The remainder of the grant is distributed to local school districts (see Distribution to Schools Program "Executive New Proposals").

2) Arts and English Curriculum Framework - This new proposal continues a program established by budget amendment in fiscal 1994. The proposal allows OPI to use \$199,000 of U.S. Department of Education funds each year of the 1997 biennium for the Arts and English Curriculum Framework project. Of this amount, OPI will retain \$75,000 for administrative costs (no FTE), which include training and assistance to model schools, teachers, and students. This program is intended to integrate the teaching of English with the teaching of the arts through a framework that includes curriculum development, teacher certification guidelines, and the establishment of model school pilot sites. The remaining \$124,000 is distributed to the model school districts (see Distribution to Schools Program "Executive New Proposals").

3) Health Enhancement Grant - This new proposal authorizes OPI to spend federal funds of \$102,950 in fiscal 1996 and \$115,000 in fiscal 1997. No FTE's are included in this proposal. These funds will be used to contract with the university system to develop a teaching model for health and physical education classes and to train a core of current teachers in the use of the model curriculum, so that they can then become a teaching resource available to all physical education and health instructors throughout the state.

4) Cooperative Food Purchase Program - The Executive Budget is requesting an additional \$2,273 in fiscal 1996 and \$3,613 in fiscal 1997 of earmarked revenue funds for the cooperative food purchase program. This program combines the annual food purchase orders from participating school districts into one state order. By combining the districts' orders into one bid, savings of 10 to 40 percent are often realized. OPI charges 2 percent of the bid received to administer the program. This request is to pay for increased operating expenses of the program as a result of the increased participation by school districts throughout the state.

5) Revolving School Food Commodities - The Executive Budget includes an additional \$55,000 each year from earmarked revenue funds for the school food commodities program. OPI receives donated food from the U.S. Department of Agriculture for use by public and private school lunch programs. Private schools are required to pay OPI for the cost of warehousing and processing the commodities they receive from OPI. This request is to cover increased processing and warehousing costs as a result of increased use of the program by private schools. No additional staff is included in this proposal.

6) Traffic Safety Education (Private Funds) - OPI plans to seek private donations of \$34,560 each year during the 1997 biennium and use these funds to conduct a series of teacher training workshops for elementary and middle school teachers. Six sessions per year are planned. This new proposal authorizes OPI to expend these funds if they are received.

7) Traffic Education - The Executive Budget is proposing that 2.0 FTE and \$130,000 of general fund be added to the OPI budget each year to continue administrative support for the traffic education program. During the November 1993 Special Session, the 1993 legislature reduced the flow of traffic fines revenue to the traffic education account and increased revenue to the general fund. They also mandated that all traffic education revenue be distributed to local school district programs. Beginning in fiscal 1995, the legislature eliminated all appropriations from the traffic education account used to support the state program and replaced those funds with general fund. It also reduced the number of the OPI staff working in traffic education. Because these funds were removed from the base budget, they are being requested in the Executive Budget as a new proposal.

8) Montana Automated Education Financial and Information Reporting System (MAEFAIRS) - The Executive Budget is proposing that OPI receive a biennial appropriation of \$160,000 general fund to continue system development and maintenance of the school district electronic reporting system (referred to as MAEFAIRS). Development of MAEFAIRS began with the implementation of HB 667 (passed by the 1993 legislature), which included a \$400,000 appropriation to OPI for the 1995 biennium.

Prior to the development of MAEFAIRS, school districts submitted all enrollment and budget data to OPI on paper. OPI then contracted with a private data processing firm to transfer all data received to an electronic data base format. This process was slow and time consuming for the school districts and for OPI, often resulting in delays collecting and proofing the information received. When fully operational, MAEFAIRS will enable all school districts to directly input their financial and enrollment reports to OPI, using personal computers via a direct telephone line to OPI's computer. This eliminates paper and the need to convert the data from paper to the computer's data base. Schools are scheduled to begin electronic reporting in fiscal 1995 with a majority of school districts included in fiscal 1996. Many districts will require extensive assistance during the biennium until school district personnel become familiar with the process. OPI will continue to provide assistance to the districts during the 1997 biennium.

9) Personal Services Reduction - The Executive Budget proposes vacancy savings of \$244,392 in fiscal 1996 and a reduction of \$245,651 and 3.0 FTE in fiscal 1997. This proposal represents approximately 5.0 percent of the agency personal services present law budget.

OFFICE OF PUBLIC INSTRUCTION

Program Summary

DISTRIBUTION TO PUBLIC SCHOOLS

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	19,770	(19,770)	0	0	(19,770)	0	0	0
Equipment	162	(162)	0	0	(162)	0	0	0
Local Assistance	45,049,868	3,664,072	2,727,988	51,441,928	(215,340)	3,451,319	48,285,847	99,727,775
Grants	54,736,586	13,062,059	0	67,798,645	578,929	0	55,315,515	123,114,160
Transfers	53,343	(53,343)	0	0	(53,343)	0	0	0
Total Costs	\$99,859,729	\$16,652,856	\$2,727,988	\$119,240,573	\$290,314	\$3,451,319	\$103,601,362	\$222,841,935
Fund Sources								
General Fund	41,735,593	4,170,181	0	45,905,774	(1,309,231)	0	40,426,362	86,332,136
State/Other Special	4,413,741	(5,575)	0	4,408,166	(5,575)	0	4,408,166	8,816,332
Federal Special	5,262,364	60,936,281	2,727,988	68,926,633	50,053,151	3,451,319	58,766,834	127,693,467
Agency Fund	48,448,031	(48,448,031)	0	0	(48,448,031)	0	0	0
Total Funds	\$99,859,729	\$16,652,856	\$2,727,988	\$119,240,573	\$290,314	\$3,451,319	\$103,601,362	\$222,841,935

Program Description

The Distribution to Public Schools program is used by OPI to distribute various state and federal funds to local education agencies.

Funding

For a complete listing of appropriations by fund type included in the Distribution to Schools program, see Table 2.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Other Executive Present Law Adjustments				
1 Grants & Local Assistance		\$16,652,856		\$290,314
Total Executive Present Law Adjustments	0.00	\$16,652,856	0.00	\$290,314
LFA Issues With Executive PL Adjustments				
1 Special Education				

Table 2 shows the distribution to schools by program.

Table 2 Distribution to Schools by Program Present Law Adjustments							
Budget Item	Base Budget 1994	PL Base Adjustments Fiscal 1996	New Proposals Fiscal 1996	Total Exec Budget 1996	PL Base Adjustments Fiscal 1997	New Proposals Fiscal 1997	Total Exec Budget 1997
General Fund Appropriation							
Special Education	\$33,305,834	\$1,448,126	\$0	\$34,753,960	(\$583,037)	\$0	\$32,722,797
Transportation	6,224,073	467,761	0	6,691,834	567,761	0	6,791,834
School Foods	626,190	33,999	0	660,189	35,541	0	661,731
Gifted & Talented	144,143	155,857	0	300,000	(144,143)	0	*
Secondary Vo-Ed	651,703	648,297	0	1,300,000	(651,703)	0	*
Adult Basic Education	248,750	1,250	0	250,000	1,250	0	250,000
In-State Treatment	534,898	1,414,894	0	1,949,791	(534,898)	0	*
Total General Fund	\$41,735,591	\$4,170,183	\$0	\$45,905,774	(\$1,309,229)	\$0	40,426,362
State Special Revenue							
Transportation	\$3,914,062	(\$5,896)	\$0	\$3,908,166	(\$5,896)	\$0	\$3,908,166
SIMMS	499,679	321	0	500,000	321	0	500,000
Total State Special Revenue	\$4,413,741	(\$5,575)	\$0	\$4,408,166	(\$5,575)	\$0	\$4,408,166
Federal Special Revenue							
Individual Disabilities Education Act	\$674,817	\$1,756,583	\$0	\$2,431,400	(\$674,817)	\$0	*
Adult Basic Education	854,025	510,975	0	1,365,000	(854,025)	0	*
Job Training Partnership Act	378,228	638,972	0	1,017,200	(378,228)	0	*
Vocational Education	2,836,064	3,186,461	0	6,022,525	(2,836,064)	0	*
Chapter I	514,775	1,780,225	0	2,295,000	(514,775)	0	*
McKinney Homeless	0	132,000	0	132,000	0	0	*
Voed Serve America	4,454	(4,454)	0	0	(4,454)	0	*
Foreign Language	0	108,000	0	108,000	0	0	*
Goals 2000	0	0	2,603,988	2,603,988	0	3,327,319	3,327,319
Arts & English Curriculum	0	0	124,000	124,000	0	124,000	124,000
School District Grants **	0	52,827,520	0	52,827,520	55,315,515	0	55,315,515
Total Federal Funds	\$5,262,363	\$60,936,282	\$2,727,988	\$68,926,633	\$50,053,152	\$3,451,319	58,766,834
Agency Funds							
School District Grants **	\$48,448,031	(\$48,448,031)	\$0	\$0	(\$48,448,031)	\$0	\$0
Total Distribution to Public Schools Program	\$99,859,725	\$16,652,860	\$2,727,988	\$119,240,573	\$290,318	\$3,451,319	\$103,601,362
* Biennial appropriations ** Federal funds for local school districts, beginning in fiscal 1996 will be appropriated from federal special revenue account.							

1) Special Education - Federal and state laws require school districts to provide an appropriate public education program for all students with disabilities. The executive present law budget continues general fund at the appropriated level of the 1995 biennium, less \$123,000. The \$123,000 was added to the Department of Corrections and Human Services (DCHS) to fund the new Managing Resources Montana (MRM) proposal included in the DCHS budget (see DCHS "Executive New Proposals"). The present law adjustment of \$1,448,126 in fiscal 1996 and (\$583,037) in fiscal 1997 is due to the Executive Budget including in fiscal 1996 a biennial appropriation of \$2,031,163 for special education contingencies.

The 1993 legislature passed SB 348, which changed the method of distributing state special education funds to school districts and included special education students in the average number belonging (ANB) beginning in fiscal 1995. Prior to the passage of SB 348, special education funds were distributed to school districts each year based upon anticipated costs of special education. The following is a brief description of the new funding distribution methodology impacting special education:

- a) All students, including children in special education, are counted in the ANB and included in the BASE funding formula, beginning in the 1994-95 school year. Prior to SB 348, special education students who spent more than 1/2 day in special education were not included in the ANB count used to determine state BASE funding for school districts. As a result of this change, 2,699 special education students were added to the ANB count in fiscal 1994, resulting in an additional cost (revenue to the districts) to the state BASE funding account of \$6.1 million. School districts are not required to use the additional special education funds in special education programs.
- b) Beginning in the 1995 school year, special education appropriations are allocated to school districts on the basis of: 1) instructional block grant based on the district's total ANB, and a local match; 2) related services block grant provided to cooperatives and non-member districts based on ANB, which requires a local match; and 3) reimbursement of disproportionate local district costs when a school district's contribution to special education exceeds 35 percent of the total costs.
- c) Each school district is expected to match every \$3 of state contribution for special education with at least one local dollar.
- d) When a district's share of the special education costs exceeds the combined costs of total state contributions and the district match by 10 percent, the district is eligible for a 65 percent reimbursement (slightly less than a \$2 state to each \$3 expended) of the costs that exceed the additional 10 percent. The 10 percent cost containment control was added to the distribution formula to control the growth level of special education programs, while allowing for reimbursement if special circumstances force a school district's expenditures for special education over the 10 percent barrier.

Table 3 shows the total allowable special education costs as estimated by OPI and the state and local share of special education costs for fiscal years 1989 through 1993. Total allowable costs increased by over 30 percent during this period.

School Year	Allowable Costs	State Share	District Share
1988-89	\$36,043,776	\$27,361,646	\$8,682,130
1989-90	38,383,332	33,361,646	5,021,686
1990-91	41,096,522	33,333,833	7,762,689
1991-92	45,789,604	32,845,797	12,943,807
1992-93	45,877,692	33,305,834	12,571,858

Table 4 shows the total actual ANB count for Montana's public schools and the number of students served by special education programs from fiscal 1990 to fiscal 1994, and estimated totals through fiscal 1997. As shown, both the total number and the percent of total students has increased.

Table 4
Special Education and General Education
Public School Enrollments

	Fiscal 1990	Fiscal 1991	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995 ----- Estimated -----	Fiscal 1996	Fiscal 1997	% Change 90 to 97
Total ANB	150,931	152,721	155,522	159,991	163,020	164,218	166,511	167,789	11.17%
Special Education	15,693	16,773	17,560	18,258	17,882	18,064 *	18,316 *	18,457 *	17.61%
Percent Special Ed	10.40%	10.98%	11.29%	11.41%	10.97%	11.00% *	11.00% *	11.00% *	

* Special education count estimated for fiscal 1995 - 1997 using 11% of total ANB

LFA Issue - The Executive Budget includes \$2,031,163 more in fiscal 1996 for special education than in fiscal 1997. This amount is budgeted as contingency funds for unexpected special education costs occurring in districts as the result of unexpected special education enrollments or unusually high costs. The contingency appropriation was first established in the 1993 biennium as a separate special education appropriation using funds taken from the regular special education appropriation. It was established as a biennial appropriation to allow the agency flexibility in the use of these funds over a biennium. However, with the passage of SB 348 by the 1995 legislature, the state's special education funds are distributed by formula and no longer distributed to school districts on a reimbursement basis. Using the new distribution formula, OPI no longer anticipates the need for a separate biennial contingency appropriation. The \$2,031,163 could be divided evenly between fiscal years as part of the regular special education appropriation.

2) **Transportation** - School districts providing student transportation between home and school in excess of three miles are entitled to a state statutory reimbursement based upon rate per mile, bus size, and occupancy in accordance with the payment schedules set forth in 20-10-140, MCA; 20-10-142, MCA; and 20-10-145, MCA.

In fiscal 1994, OPI requested and received an \$800,000 general fund transfer from the fiscal 1995 to the fiscal 1994 appropriation for transportation. Expenditures made in fiscal 1994 from this appropriation transfer are retained in the base budget.

The Executive Budget is requesting a supplemental appropriation from the 1995 legislature of \$1,720,000 to replace the \$800,000 transfer into fiscal 1994 and to provide an additional \$920,000 general fund for fiscal 1995. The Executive Budget present law request for fiscal 1996 of \$10,600,000 (\$6,691,834 general fund) is \$467,761 over the fiscal 1994 base budget of \$10,132,329 and the 1997 request increases by \$567,761 to \$10,700,000. These increases are a result of anticipated increases in the number of students riding school buses.

3) **School Foods** - School foods funds provide for the state's required maintenance of effort for federal school food reimbursements. Federal law requires that Montana provide a 30 percent match on the Section 4 general assistance

paid for school lunches served, adjusted for average income in the state. Present law increases of \$33,999 in fiscal 1996 and \$35,541 in fiscal 1997 are due to increases in the number of school lunches being served.

4) Secondary Vocational Education - The present law budget for secondary vocational education is \$1,300,000 general fund for the 1997 biennium, reflecting the 1995 biennium appropriation prior to the removal of \$7,500 as a budget balancer during the November 1993 Special Session. These grants fund "excess" costs associated with secondary vocational education programs and are in addition to school foundation funds and district levies. "Excess" costs are those additional costs for vocational education not associated with other programs, such as additional equipment and full year teaching contracts. Because this is a biennial appropriation, the present law adjustments reflect an increase of \$648,297 in fiscal 1996 and a decrease of \$651,703 in fiscal 1997.

5) Gifted and Talented - The Gifted and Talented program was initiated in fiscal 1982 to provide funds to local school districts to begin or maintain programs for gifted and talented students. The present law budget includes a \$300,000 general fund biennial appropriation for this program, which continues the level appropriated in fiscal 1994 prior to the \$1,500 budget balancing reduction imposed during the November 1993 Special Session. Because this is a biennial appropriation, the present law adjustments reflect an increase of \$155,857 in fiscal 1996 and a decrease of \$144,143 in fiscal 1997.

6) Adult Basic Education - This general fund appropriation for Adult Basic Education provides high school level education to persons who wish to receive their high school equivalency degree. The executive present law adjustment of \$1,250 each year continues this program at the level appropriated during the 1995 biennium.

7) In-State Treatment - This appropriation from the general fund is used by OPI to contract with children's psychiatric hospitals and residential treatment facilities in Montana to provide education services to emotionally disturbed children who are placed in the treatment programs of these centers and are unable to receive education in the public schools.

The appropriation is reduced from the 1994 appropriated level by \$700,000. The \$700,000 was added to DCHS to fund the new MRM proposal included in the DCHS budget (see DCHS "Executive New Proposals").

Because this is a biennial appropriation, the present law adjustments reflect an increase of \$1,414,894 in fiscal 1996 and a decrease of \$534,898 in fiscal 1997.

8) Systemic Initiative for Montana Mathematics and Science Grant (SIMMS) - The 1993 legislature appropriated \$500,000 (HB 652) from the school equalization account for each year of the 1995 biennium to provide matching funds for the SIMMS grant awarded to Montana by the National Science Foundation (NSF). The purpose of this grant is to develop new methods of teaching mathematics to high school students. The program was initiated in the 1993 biennium and is expected to continue through fiscal 1997. The executive present law adjustment of \$321 each year of the 1997 biennium continues to provide the match at the level appropriated during the 1995 biennium.

9) Federal Discretionary Funds - These funds are received from the U.S. Department of Education for use by local school districts in the manner prescribed by each federal act authorizing the grants. Because OPI has discretion regarding the final grant recipients, these funds must be appropriated by the legislature. The present law budget includes biennial appropriations for the following: a) \$2,431,400 for the Individuals with Disabilities Education Act (IDEA) sections B and D; b) \$1,365,000 for Adult Basic Education; c) \$1,017,200 for the Job Training Partnership Act; d) \$132,000 for the McKinney Homeless Act; e) \$6,022,525 Carl Perkins Vocational Education funds; f) \$2,295,000 Chapter 1 funds; and g) \$108,000 foreign language education funds. Also included for the 1997 biennium is \$52,827,520 in fiscal 1996 and \$55,315,515 in fiscal 1997 of pass-through funds to school districts. In prior fiscal years, because these funds were passed on directly to school districts they were not considered a state appropriation. However, due to changes in national accounting policy, they must now be recorded in the federal special revenue account and appropriated.

3501 09 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Goals 2000=Educate America			\$2,603,988			\$3,327,319
2 Arts & English Curri Framework			124,000			124,000
Totals			\$2,727,988			\$3,451,319

Executive New Proposals

- 1) Goals 2000: Educate America Act - This proposal totals \$2,603,988 in fiscal 1996 and \$3,327,319 for fiscal 1997 of federal funds made available to Montana by the Educate America Act. Ninety percent of the grant is distributed to local school districts. The remaining 10 percent of the grant will be used by OPI for administration in implementing the state's plan (see Administration program "Executive New Proposals").
- 2) Arts and English Curriculum Framework - This new proposal continues a program established by budget amendment in fiscal 1994. The proposal will distribute \$124,000 of federal funds each year of the 1997 biennium to selected model schools for the Arts and English Curriculum Framework. This program is intended to integrate the teaching of English with the teaching of the arts through a framework that includes curriculum development, teacher certification guidelines, and the establishment of model school pilot sites.

5101 00 00000								
BOARD OF PUBLIC EDUCATION								
BIENNIAL BUDGET COMPARISON								
Agency Summary								
Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	4.00	0.00	4.00	4.00	0.00	4.00	4.00	4.00
Personal Services	147,128	0	147,128	147,726	0	147,726	281,535	294,854
Operating Expenses	63,435	0	63,435	60,480	0	60,480	105,042	123,915
Equipment	0	0	0	0	0	0	4,701	0
Total Costs	\$210,563	\$0	\$210,563	\$208,206	\$0	\$208,206	\$391,278	\$418,769
Fund Sources								
General Fund	116,996	0	116,996	115,954	0	115,954	218,853	232,950
State/Other Special	93,567	0	93,567	92,252	0	92,252	172,425	185,819
Total Funds	\$210,563	\$0	\$210,563	\$208,206	\$0	\$208,206	\$391,278	\$418,769

Agency Description

The Board of Public Education, created by Article X, Section 9 of the Montana constitution, consists of seven voting members appointed by the Governor. The board is charged with exercising "general supervision over the public school system." The board is also designated by statute as the governing board of the Montana School for the Deaf and Blind. Together with the Board of Regents, the board does the general planning, coordinating, and evaluation of the state's educational system (Title 20, Chapter 2, MCA). The board accredits schools, certifies teachers, adopts policies and standards for various educational programs, and orders the distribution of state equalization aid. The board's accreditation standards are the basis for eligibility for local school districts to receive state funds. The board hears cases regarding denial, suspension, and revocation of teacher certificates and reviews teacher education programs leading to interstate reciprocity.

5101 00 00000								
BOARD OF PUBLIC EDUCATION								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	143,666	3,462	0	147,128	4,060	0	147,726	294,854
Operating Expenses	49,425	14,010	0	63,435	11,055	0	60,480	123,915
Equipment	4,701	(4,701)	0	0	(4,701)	0	0	0
Total Costs	\$197,792	\$12,771	\$0	\$210,563	\$10,414	\$0	\$208,206	\$418,769
Fund Sources								
General Fund	110,912	6,084	0	116,996	5,042	0	115,954	232,950
State/Other Special	86,880	6,687	0	93,567	5,372	0	92,252	185,819
Total Funds	\$197,792	\$12,771	\$0	\$210,563	\$10,414	\$0	\$208,206	\$418,769

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

BOARD OF PUBLIC EDUCATION

Program Summary

ADMINISTRATION

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	88,069	2,459	0	90,528	2,823	0	90,892	181,420
Operating Expenses	29,515	6,989	0	36,504	5,493	0	35,008	71,512
Equipment	2,847	(2,847)	0	0	(2,847)	0	0	0
Total Costs	\$120,431	\$6,601	\$0	\$127,032	\$5,469	\$0	\$125,900	\$252,932
Fund Sources								
General Fund	110,912	6,084	0	116,996	5,042	0	115,954	232,950
State/Other Special	9,519	517	0	10,036	427	0	9,946	19,982
Total Funds	\$120,431	\$6,601	\$0	\$127,032	\$5,469	\$0	\$125,900	\$252,932

Program Description

The staff of the Administration program provide administrative, research, clerical functions, and management of business affairs for all programs under the purview of the Board of Public Education.

Funding

This program is funded with general fund and teacher certification fees. Because the Administration program provides support to the teacher certification Advisory Council, which is entirely funded from the certification fees, teacher certification fees are used to help defray the cost of providing that support. The Executive Budget recommends the appropriation of certification fees at the rate of 8 percent of the total administration budget, which is consistent with the fiscal 1994 appropriation.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The increases primarily reflect a continuation of the fiscal 1995 pay plan and additional board members' per diem of \$900 to \$4,900 each year. The \$4,900 request is based upon seven board members attending seven meetings annually at \$100 per meeting (\$25 per day compensation plus lodging and meals).
- 2) Inflation & 3) Fixed Costs - The Executive Budget includes fixed costs increases from the 1994 base of \$1,800 for fiscal 1996 and \$257 for fiscal 1997. Audit fees were not reflected in the base year, but are budgeted in fiscal 1996 for the 1997 biennium.
- 4) Office Rent - Beginning in 1997 biennium, the Executive Budget for the Board of Public Education includes rent for office space occupied by the board in the Montana Higher Education Student Assistance Corporation (MHESAC) building. The Administration program's share is \$4,125. During the 1995 biennium, office rent for the Board of Public Education was paid by the Office of the Commissioner of Higher Education (CHE). The amount included for rent in the budget of the CHE office is reduced by a like amount.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$2,459		\$2,823
2 Inflation/Deflation		95		142
3 Fixed Costs		1,800		257
<i>Other Executive Present Law Adjustments</i>				
4 Office Rent		\$4,125		\$4,125
5 Repair & Maintenance		969		969
6 Equipment		(2,847)		(2,847)
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$6,601</u>	<u>0.00</u>	<u>\$5,469</u>

5) Repair & Maintenance - Maintenance contracts for personal computers and fax equipment purchased in fiscal 1994 increase repair and maintenance costs by \$969 each year of the biennium.

6) Equipment - No equipment was recommended in the Executive Budget, a reduction from the 1994 base of \$2,847 per year.

BOARD OF PUBLIC EDUCATION

Program Summary

ADVISORY COUNCIL

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	55,597	1,003	0	56,600	1,237	0	56,834	113,434
Operating Expenses	19,910	7,021	0	26,931	5,562	0	25,472	52,403
Equipment	1,854	(1,854)	0	0	(1,854)	0	0	0
Total Costs	\$77,361	\$6,170	\$0	\$83,531	\$4,945	\$0	\$82,306	\$165,837
Fund Sources								
State/Other Special	77,361	6,170	0	83,531	4,945	0	82,306	165,837
Total Funds	\$77,361	\$6,170	\$0	\$83,531	\$4,945	\$0	\$82,306	\$165,837

Program Description

The seven-member Certification Standards and Practices Advisory Council was created by the legislature in 1987 to study and make recommendations to the Board of Public Education in the following areas: teacher, administrator, and specialist certification standards; the status and efficacy of approved teacher education programs; the feasibility of establishing standards of professional practices and ethical conduct; and policies relating to the denial, suspension, and revocation of teaching certification and the appeals process. The board staff provides administrative, research, and clerical duties to the council.

Funding

Funding for the Advisory Council is from annual teacher certification fees. The annual teacher certification fee is presently \$6, from which \$3 is deposited to a state special revenue account for Advisory Council operations. The remaining \$3 is statutorily appropriated to the Advisory Council for use in special projects and research studies associated with the professional development of teachers in Montana.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The increases reflect a continuation of the fiscal 1995 pay plan.
- 4) Office Rent - Beginning in the 1997 biennium, the Executive Budget for the Board of Public Education includes rent for office space occupied by the board in the Montana Higher Education Student Assistance Corporation (MHESAC) building. The Advisory Council's share is \$4,125. During the 1995 biennium, office rent for the Board of Public Education was paid by the Office of the Commissioner of Higher Education (CHE). The amount included for rent in the budget of the CHE office is reduced by a like amount.
- 5) Repair & Maintenance - Maintenance contracts for personal computers and fax equipment purchased in fiscal 1994 increase repair and maintenance costs by \$969 each year of the biennium.
- 6) Equipment - No equipment was recommended in the Executive Budget, a reduction from the 1994 base of \$1,854 per year.

Present Law Adjustments/Issues

Description	FTE	Adjustments	FTE	Adjustments
	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$1,003		\$1,237
2 Inflation/Deflation		128		212
3 Fixed Costs		1,799		256
<i>Other Executive Present Law Adjustments</i>				
4 Office Rent		\$4,125		\$4,125
5 Repair & Maintenance		969		969
6 Equipment		(1,854)		(1,854)
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$6,170</u>	<u>0.00</u>	<u>\$4,945</u>

5113 00 00000								
SCHOOL FOR THE DEAF & BLIND								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	81.68	(2.41)	79.27	81.68	(2.41)	79.27	81.68	79.27
Personal Services	2,827,364	(136,504)	2,690,860	2,829,937	(136,685)	2,693,252	5,015,942	5,384,112
Operating Expenses	478,289	0	478,289	455,313	0	455,313	884,559	933,602
Equipment	49,863	0	49,863	1,334	0	1,334	57,204	51,197
Capital Outlay	9,587	0	9,587	9,587	0	9,587	9,586	19,174
Transfers	4,900	0	4,900	4,900	0	4,900	9,800	9,800
Debt Service	0	0	0	0	0	0	7,901	0
Total Costs	\$3,370,003	(\$136,504)	\$3,233,499	\$3,301,071	(\$136,685)	\$3,164,386	\$5,984,992	\$6,397,885
Fund Sources								
General Fund	2,814,457	73,528	2,887,985	2,745,578	73,294	2,818,872	5,099,342	5,706,857
State/Other Special	484,032	(210,032)	274,000	483,979	(209,979)	274,000	694,614	548,000
Federal Special	71,514	0	71,514	71,514	0	71,514	191,036	143,028
Total Funds	\$3,370,003	(\$136,504)	\$3,233,499	\$3,301,071	(\$136,685)	\$3,164,386	\$5,984,992	\$6,397,885

Agency Description

The Montana School for the Deaf and Blind's goal is to offer a quality, comprehensive education that will enable its students to achieve their greatest potential. Authority for the school is contained in Title 20, Chapter 8, Part 1, MCA. As of the fall of 1994, 96 students attended the school, of which 50 were residing on campus and 46 were from residences in the Great Falls area. To attend the school, students must be diagnosed as being deaf and/or blind or must have such a significant hearing or sight impairment that they are unable to receive a proper education in the public schools of the state. Additionally, the school serves 34 students statewide through a resource consultant outreach program.

5113 00 00000								
SCHOOL FOR THE DEAF & BLIND								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	81.68	0.00	(2.41)	79.27	0.00	(2.41)	79.27	79.27
Personal Services	2,361,623	465,741	(136,504)	2,690,860	468,314	(136,685)	2,693,252	5,384,112
Operating Expenses	390,626	87,663	0	478,289	64,687	0	455,313	933,602
Equipment	25,334	24,529	0	49,863	(24,000)	0	1,334	51,197
Capital Outlay	9,586	1	0	9,587	1	0	9,587	19,174
Transfers	4,900	0	0	4,900	0	0	4,900	9,800
Debt Service	7,901	(7,901)	0	0	(7,901)	0	0	0
Total Costs	\$2,799,970	\$570,033	(\$136,504)	\$3,233,499	\$501,101	(\$136,685)	\$3,164,386	\$6,397,885
Fund Sources								
General Fund	2,490,611	323,846	73,528	2,887,985	254,967	73,294	2,818,872	5,706,857
State/Other Special	228,382	255,650	(210,032)	274,000	255,597	(209,979)	274,000	548,000
Federal Special	80,977	(9,463)	0	71,514	(9,463)	0	71,514	143,028
Total Funds	\$2,799,970	\$570,033	(\$136,504)	\$3,233,499	\$501,101	(\$136,685)	\$3,164,386	\$6,397,885

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the executive budget.

5113 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions	0.00	(\$9,249)	(\$9,249)	0.00	(\$9,283)	(\$9,283)
2 Personal Services Reductions	(1.00)	(25,132)	(25,132)	(1.00)	(25,086)	(25,086)
3 Personal Services Reductions	(1.41)	(38,002)	(38,002)	(1.41)	(38,148)	(38,148)
4 Restore GF/Library/Outreach	0.00	210,032	0	0.00	209,979	0
5 Personal Services Reductions	0.00	(64,121)	(64,121)	0.00	(64,168)	(64,168)
Totals	(2.41)	\$73,528	(\$136,504)	(2.41)	\$73,294	(\$136,685)

SCHOOL FOR THE DEAF & BLIND

Program Summary

ADMINISTRATION PROGRAM

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	5.00	0.00	0.00	5.00	0.00	0.00	5.00	5.00
Personal Services	141,171	43,419	(9,249)	175,341	44,223	(9,283)	176,111	351,452
Operating Expenses	24,796	31,466	0	56,262	3,320	0	28,116	84,378
Equipment	1,621	1,398	0	3,019	(1,621)	0	0	3,019
Total Costs	\$167,588	\$76,283	(\$9,249)	\$234,622	\$45,922	(\$9,283)	\$204,227	\$438,849
Fund Sources								
General Fund	167,588	76,283	(9,249)	234,622	45,922	(9,283)	204,227	438,849
Total Funds	\$167,588	\$76,283	(\$9,249)	\$234,622	\$45,922	(\$9,283)	\$204,227	\$438,849

Program Description

The Administration program staff provide purchasing, accounting, personnel functions, and management of business affairs for the school.

Funding

The Administration program is funded 100 percent from the general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$43,419		\$44,223
2 Inflation/Deflation		(493)		(919)
3 Fixed Costs		31,578		3,858
<i>Other Executive Present Law Adjustments</i>				
4 Equipment		\$1,398		(\$1,621)
5 Miscellaneous		381		381
<i>Total Executive Present Law Adjustments</i>	0.00	\$76,283	0.00	\$45,922

1) Personal Services - During fiscal 1994, the position of school superintendent remained vacant for several months in order to achieve the vacancy savings required in the agency budget. (During that time the chairman of the Board of Education served in an acting capacity, drawing only per diem.) The new superintendent was hired June 1, 1994 at a salary of \$50,750, \$6,000 below the salary of the former superintendent. Full funding of the superintendent position requires a present law adjustment of \$38,500 over fiscal 1994 actual expenditures. Other personal services increases totalling \$4,919 reflect a continuation of the fiscal 1995 pay plan.

2) Inflation & 3) Fixed Costs - The difference in fixed costs from fiscal 1996 to fiscal 1997 is primarily due to inclusion of biennial audit costs in fiscal 1996.

4) Equipment - The Executive Budget includes a personal computer and printer in fiscal 1996, an increase of \$1,398 over the base budget. No equipment is recommended for fiscal 1997, a reduction of \$1,621 from the base year.

5113 01 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions		(\$9,249)	(\$9,249)		(\$9,283)	(\$9,283)
Totals		(\$9,249)	(\$9,249)		(\$9,283)	(\$9,283)

Executive New Proposals

1) Personal Services Reduction - The Executive Budget proposes vacancy savings of \$9,249 in fiscal 1996 and \$9,283 in fiscal 1997, or approximately 5.0 percent of the program personal services budget, to fund a pay plan.

5113 02 00000

SCHOOL FOR THE DEAF & BLIND				GENERAL SERVICES PROGRAM				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	4.00	0.00	(1.00)	3.00	0.00	(1.00)	3.00	3.00
Personal Services	109,544	(1,739)	(25,132)	82,673	(1,936)	(25,086)	82,522	165,195
Operating Expenses	153,626	17,327	0	170,953	20,472	0	174,098	345,051
Equipment	1,799	6,001	0	7,800	(1,799)	0	0	7,800
Capital Outlay	9,586	1	0	9,587	1	0	9,587	19,174
Transfers	4,900	0	0	4,900	0	0	4,900	9,800
Total Costs	\$279,455	\$21,590	(\$25,132)	\$275,913	\$16,738	(\$25,086)	\$271,107	\$547,020
Fund Sources								
General Fund	279,455	21,590	(25,132)	275,913	16,738	(25,086)	271,107	547,020
Total Funds	\$279,455	\$21,590	(\$25,132)	\$275,913	\$16,738	(\$25,086)	\$271,107	\$547,020

Program Description

The General Services program staff are responsible for general upkeep and maintenance of the school's eight buildings and 18.5 acre campus.

Funding

The General Services program is funded 100 percent from the general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - A decrease in the personal services budget from the base year is due to a reduction in the average salary paid, as a result of turnover. Positions are usually filled at a lower amount than the amount paid to the previous occupant of a position.
- 2) Inflation - The Executive Budget includes inflationary increases that are primarily due to anticipated rate increases for utilities.
- 3) Fixed Costs - The Executive Budget includes fixed costs increases from the 1994 base that are primarily due to increases in property and liability insurance.
- 4) Equipment - The Executive Budget includes equipment of \$7,800 in fiscal 1996 for a tractor lawnmower, carpet cleaner and a fireproof storage cabinet to store flammable materials. This is an increase of \$6,000 over the base year. No equipment was budgeted for fiscal 1997, resulting in a reduction of \$1,799 from the base year.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$1,739)		(\$1,936)
2 Inflation/Deflation		6,433		10,026
3 Fixed Costs		10,894		10,446
<i>Other Executive Present Law Adjustments</i>				
4 Equipment		\$6,001		(\$1,799)
5 Miscellaneous		1		1
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$21,590</u>	<u>0.00</u>	<u>\$16,738</u>

Executive New Proposals

1) Personal Services Reduction - The Executive Budget proposes a reduction of a 1.0 FTE maintenance worker, a reduction of \$25,132 in fiscal 1996 and \$25,086 in fiscal 1997. Authorized FTE would be reduced to 3.0.

5113 02 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(1.00)	(\$25,132)	(\$25,132)	(1.00)	(\$25,086)	(\$25,086)
Totals	(1.00)	(\$25,132)	(\$25,132)	(1.00)	(\$25,086)	(\$25,086)

SCHOOL FOR THE DEAF & BLIND

Program Summary

STUDENT SERVICES

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	29.74	0.00	(1.41)	28.33	0.00	(1.41)	28.33	28.33
Personal Services	683,994	76,051	(38,002)	722,043	78,072	(38,148)	723,918	1,445,961
Operating Expenses	116,367	1,949	0	118,316	3,278	0	119,645	237,961
Equipment	2,213	22,455	0	24,668	(879)	0	1,334	26,002
Debt Service	7,901	(7,901)	0	0	(7,901)	0	0	0
Total Costs	\$810,475	\$92,554	(\$38,002)	\$865,027	\$72,570	(\$38,148)	\$844,897	\$1,709,924
Fund Sources								
General Fund	779,323	92,555	(38,002)	833,876	72,571	(38,148)	813,746	1,647,622
Federal Special	31,152	(1)	0	31,151	(1)	0	31,151	62,302
Total Funds	\$810,475	\$92,554	(\$38,002)	\$865,027	\$72,570	(\$38,148)	\$844,897	\$1,709,924

Program Description

The Student Services program provides residential care for children living at the school.

Funding

The Student Services program is funded from two sources: 1) general fund of \$833,876 in fiscal 1996 and \$813,746 in fiscal 1997; and 2) federal school lunch program funds of \$31,151 each year, which share in the costs of providing meals to low-income children.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The increase in the executive present law budget for personal services represents vacancy savings of \$68,000 incurred in fiscal 1994 and not budgeted in fiscal 1996 and an additional \$8,000 due to the continuation of the 1995 biennium pay plan.
- 3) Equipment - The Executive Budget proposes replacement in fiscal 1996 of a nine passenger van used to transport students at an estimated cost of \$22,000. Other equipment includes clothes washers and dryers and dishwashers at a total cost of \$2,668 in fiscal 1996 and \$1,334 in fiscal 1997.
- 4) Debt Service - In fiscal 1994, MSDB made its final payment on the five-year lease purchase of a school bus. As a result, the \$7,901 debt service payment was removed from the base budget.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$76,051		\$78,072
2 Inflation/Deflation		1,897		3,226
3 Fixed Costs				
<i>Other Executive Present Law Adjustments</i>				
4 Equipment		\$22,455		(\$879)
5 Debt Service		(7,901)		(7,901)
6 Miscellaneous		52		52
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$92,554</u>	<u>0.00</u>	<u>\$72,570</u>

Executive New Proposals

1) Personal Services Reduction - The Executive Budget proposes a reduction of 1.41 FTE for a savings of \$38,002 in fiscal 1996 and \$38,148 in fiscal 1997. This decrease is approximately 5 percent of total program personal services. The positions eliminated are a .77 FTE cottage life attendant and .64 FTE substitute teacher. In fiscal 1992 and fiscal 1993, this program had 1 percent vacancy savings; in fiscal 1994 the vacancy savings rate was 13.0 percent.

5113 03 00000

Executive Budget New Proposals

New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(1.41)	(\$38,002)	(\$38,002)	(1.41)	(\$38,148)	(\$38,148)
Totals	(1.41)	(\$38,002)	(\$38,002)	(1.41)	(\$38,148)	(\$38,148)

5113 04 00000

SCHOOL FOR THE DEAF & BLIND				EDUCATION				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	42.94	0.00	0.00	42.94	0.00	0.00	42.94	42.94
Personal Services	1,426,914	348,010	(64,121)	1,710,803	347,955	(64,168)	1,710,701	3,421,504
Operating Expenses	95,837	36,921	0	132,758	37,617	0	133,454	266,212
Equipment	19,701	(5,325)	0	14,376	(19,701)	0	0	14,376
Total Costs	\$1,542,452	\$379,606	(\$64,121)	\$1,857,937	\$365,871	(\$64,168)	\$1,844,155	\$3,702,092
Fund Sources								
General Fund	1,264,245	133,418	145,911	1,543,574	119,736	145,811	1,529,792	3,073,366
State/Other Special	228,382	255,650	(210,032)	274,000	255,597	(209,979)	274,000	548,000
Federal Special	49,825	(9,462)	0	40,363	(9,462)	0	40,363	80,726
Total Funds	\$1,542,452	\$379,606	(\$64,121)	\$1,857,937	\$365,871	(\$64,168)	\$1,844,155	\$3,702,092

Program Description

The Education program exists to provide an education for children with a hearing and/or sight loss that prevents them from receiving an adequate education in their hometown school. The program also provides "mainstream" programs for certain students in a joint effort with the Great Falls public school system.

Funding

The present law budget of the Education program is funded from the following sources:

- 1) general fund in the amount of \$1.4 million each year;
- 2) earmarked revenue, which includes interest and earnings from state lands of \$200,000, \$74,000 from non-resident tuition (see "Executive Present Law" writeup), and fees from services provided of \$210,032 in fiscal 1996 and \$209,979 in fiscal 1997 (see "Executive New Proposal" writeup). Lands originally granted by the federal government are held in trust by the state of Montana for the use and benefit of MSDB (section 20-8-110, MCA). The Department of State Lands, under the direction of the Land Board, manages these trust lands to provide a continuing source of revenue for the school. Revenues from these trust lands are deposited to two accounts: a) the MSDB Interest and Income account (I&I); and b) the MSDB trust fund. Revenue to the I&I account is directly appropriated to MSDB. Revenue to the trust fund is invested and the earnings from the investments are appropriated to MSDB; and
- 3) federal funds, which include: a) medicaid reimbursement of \$7,133 each year; b) federal indirect cost recovery of \$5,883 each year; and c) other federal grants funds of \$27,347 each year.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$130,698		\$130,643
2 Inflation/Deflation		1,237		2,389
3 Fixed Costs		(227)		(166)
<i>Other Executive Present Law Adjustments</i>				
4 Non-Resident Tuition (Personal Services)		\$74,000		\$74,000
5 Outreach Program		180,648		180,595
6 Equipment		(5,325)		(19,700)
7 Miscellaneous		(1,425)		(1,890)
<i>Total Executive Present Law Adjustments</i>	0.00	\$379,606	0.00	\$365,871
<i>LFA Issues With Executive PL Adjustments</i>				
1 Personal Services		(\$44,744)		(\$44,744)
4 Non-Resident Tuition (Personal Services)		(43,326)		(43,326)
<i>Other LFA Present Law Issues</i>				
* Equipment				

1) Personal Services - The base budget for personal services increases by approximately \$130,000 each year of the 1997 biennium. These increases are primarily due to two factors: a) approximately \$79,000 for salary raises authorized in HB 198 (the pay plan bill) for fiscal 1995 and continued in the 1997 biennium; and b) \$50,900 for teacher aid and interpreter positions. Additional personal services are discussed in items 4 and 5 below.

LFA Issue - During fiscal 1994, MSDB transferred \$132,108 and 1.39 FTE into the Education program from other programs. Of this amount, \$87,364 was used to fund the additional 1.39 FTE. The balance of \$44,744 (from vacancy savings in the other programs) was used to hire additional teacher aids and tutors. When the Executive Budget was prepared, all expenditures funded from the transfers remained in the base budget of the Education program. Those expenses not associated with the 1.39 FTE should have been removed since there was no comparable reduction in the budgets of the other programs. Thus, the base budget of the Education program is overstated by \$44,744.

4) Non-Resident Tuition - The Executive Budget recommends that non-resident tuition received by MSDB be deposited in an earmarked revenue account and appropriated for the next biennium (\$74,000 each year for personal services) as part of the present law base. In fiscal 1994, non-resident tuition was deposited into the general fund, from which it was appropriated. Because non-resident revenue is uncertain, the position of the executive is that a general fund appropriation should not be coupled to non-resident revenue. Instead, this revenue should be deposited into and appropriated from an earmarked revenue account. In fiscal 1994, \$43,326 was expended by MSDB from revenue received from the state of Wyoming. Tuition is determined by dividing the total fiscal 1994 cost of operating the school by the number of students. (Adjustments are made for resident vs. non-resident students.)

LFA Issue - During fiscal 1994, revenues totalling \$43,326 from non-resident tuition were also used to fund additional personal services in the Education program (Table 1). This amount was removed from the base budget as a one-time expenditure. The Executive Budget adds back the \$43,326 as a present law adjustment. However, the adjustment is funded from the general fund and not from tuition, which is the basis of the original expenditures. The \$43,326 present law adjustment should be included as part of the \$74,000 of non-resident tuition (earmarked revenue funds) that is added to the base budget as a present law adjustment. Not doing so results in a \$43,326 general fund overstatement of the present law budget of the Education program.

Table 1
Education Program
Personal Services
Funded from Non-Resident Tuition

	Fiscal 1994 Expended	Fiscal 1994 Base	Fiscal 1996 Present Law
Personal Services	\$43,326	\$0	\$117,326
General Fund	\$0	\$0	\$43,326
Tuition	43,326	0	74,000
Total	\$43,326	\$0	\$117,326

5) Outreach Program - The 1993 legislature removed all general fund support from the Outreach Program and required instead that all operating expenses be billed out to the school districts as payment for services rendered (a recommendation of the 1995 biennium Executive Budget as presented to the legislature in January 1993). The legislature switched the funding to earmarked revenue from the general fund in the amount of \$257,000. In fiscal 1994, most Montana's school districts chose not to utilize the resources of MSDB's Outreach Program. Revenue to support the program totalled only \$12,000 in fiscal 1994. This present law adjustment increases the present law budget from earmarked revenue funds to the level appropriated in fiscal 1994. The executive has requested a new proposal to switch funding for the Outreach Program back to the general fund (see "Executive New Proposals" writeup).

6) Equipment - The Executive Budget has included \$11,676 in fiscal 1996 for the purchase of a computerized braille printing system. This equipment scans regular print material and reproduces it in braille, allowing visually impaired students access to more publications and reducing the amount of braille publications purchased. In addition, the equipment budget includes three lab microscopes at \$900 each to replace the forty-year old microscopes which are in disrepair and cannot be fixed. The total fiscal 1996 equipment request is a \$5,325 reduction from the 1994 equipment expenditures of \$19,700. No equipment budget is recommended for fiscal 1997.

Other LFA Present Law Issue - The 1993 legislature instructed MSDB to bill eligible medicaid students for medicaid reimbursement for qualifying services provided, including speech, audiology and physical therapy. The legislature then replaced \$24,000 of general fund each year of the 1995 biennium with a federal appropriation of medicaid revenue. Since medicaid revenue had not been collected by the school prior to fiscal 1994, the \$24,000 annual appropriation was based upon an estimated figure which was thought to be conservative (the Executive Budget had originally projected \$75,000). However, in fiscal 1994, only \$7,133 in medicaid reimbursements was collected. Therefore, approximately \$17,000 of the budget and present law expenditure base from which the 1997 biennium budget is derived (which prior to fiscal 1994 had been funded from general fund) was lost to the school.

Options for the legislature:

- a) Replace the medicaid appropriation with an appropriation from the general fund, and require MSDB to continue to collect medicaid payments and deposit the medicaid revenue to the general fund. This procedure is followed by the institutions administered by the Department of Corrections and Human Services. When medicaid revenues vary significantly from year to year, this method will provide funding stability for the institution.
- b) Continue to appropriate medicaid revenue directly to MSDB.

5113 04 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Restore GF/Library/Outreach	0.00	\$210,032	\$0	0.00	\$209,979	\$0
2 Personal Services Reductions	0.00	(64,121)	(64,121)	0.00	(64,168)	(64,168)
Totals	0.00	\$145,911	(\$64,121)	0.00	\$145,811	(\$64,168)

Executive New Proposals

1) Restore General Fund Support for Outreach Program - The Executive Budget recommends that general fund in the amount of \$210,032 in fiscal 1996 and \$209,979 in fiscal 1997 be appropriated to fund the MSDB Outreach Program. This recommendation includes salaries and travel for four specialists in the education of deaf and visually impaired students. Included in the proposal is \$15,000 to purchase special braille and large print materials to be used by the students being taught in their local schools.

The goals of the Outreach Program, which has been in existence since the 1930's, are: a) to provide professional assistance to the local school districts in the education of deaf and/or visually impaired children who remain within the local community and who do not reside on the campus of MSDB; and b) to provide training for the parents of pre-school deaf and/or visually impaired children.

The 1993 legislature removed all general fund support from the Outreach Program and required instead that all operating expenses be billed out to the school districts as payment for services rendered (which was a recommendation of the 1995 biennium Executive Budget as presented to the legislature in January 1993). The legislature switched the funding to earmarked revenue and removed general fund in the amount of \$256,797 each year of the 1995 biennium.

In fiscal 1994, most Montana school districts chose not to utilize the resources of MSDB's Outreach Program, and revenue to support the program totalled \$12,000 in fiscal 1994. In fiscal 1993, nearly 200 children were served by the Outreach Program, while in fiscal 1994 this number fell to 34. MSDB's staff are no longer involved in the training and education of these children. Due to staff reductions, these services may no longer be available to schools, even if requested.

At the end of fiscal 1993, the Outreach Program consisted of a librarian, two library assistants, and four field education consultants who work with the local school districts. In fiscal 1994, all but one of the field staff employees were terminated due to lack of funds. The remaining staff member was retained with federal Chapter II funds (by

means of a budget amendment) received through the Office of Public Instruction. Chapter II funds are not expected to be available for the 1997 biennium to fund this position.

LFA Issue - Although the 1993 legislature also included a librarian and two library technicians, the executive proposal includes FTE and funding for only the field education consultants. The librarian and the technical positions are in the present law budget. Therefore, while the Executive Budget appears to reduce the size of the Outreach Program from a level of \$256,000 budgeted in fiscal 1994 to a proposed level of \$210,000, the budget remains essentially the same.

Options available for the 1995 legislature:

- a) Adopt the Executive Budget recommendation at a general fund cost of \$419,829 over the 1997 biennium. When combined with the present law budget, this action would restore full general fund support to the Outreach Program.
- b) Restore general fund support for the Outreach Program, but reduce the general fund appropriation for special education in the Office of Public Instruction by a like amount. This action indirectly funds the Outreach Program from the special education funds of the school districts. The reduction in state special education funding appropriated to school districts would be approximately 0.6 percent if the Outreach Program were funded at the level recommended in the Executive Budget.
- c) Continue to require the local school districts to pay for services received from MSDB. Unless revenue generated increases significantly, this action may result in the elimination of the Outreach Program, since revenues received this past biennium have not been adequate to maintain a base level of support services.

2) Personal Services Reduction - The Executive Budget proposes vacancy savings of \$64,121 in fiscal 1996 and \$64,168 in fiscal 1997, or approximately 3.6 percent. In fiscal 1992 and fiscal 1993 this program experienced a vacancy savings rate less than 3.0. In fiscal 1994 the rate was over 8.0 percent, with most vacancies occurring in the Outreach Program where revenue was insufficient to fund the positions.

5116 00 00000								
VOCATIONAL EDUCATION COUNCIL								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	2.50	0.00	2.50	2.50	0.00	2.50	2.50	2.50
Personal Services	100,337	0	100,337	100,678	0	100,678	188,812	201,015
Operating Expenses	64,369	0	64,369	62,394	0	62,394	124,626	126,763
Equipment	2,700	0	2,700	4,700	0	4,700	8,064	7,400
Total Costs	\$167,406	\$0	\$167,406	\$167,772	\$0	\$167,772	\$321,502	\$335,178
Fund Sources								
Federal Special	167,406	0	167,406	167,772	0	167,772	321,502	335,178
Total Funds	\$167,406	\$0	\$167,406	\$167,772	\$0	\$167,772	\$321,502	\$335,178

Agency Description

The Vocational Education Council was created in 1985 to comply with the Carl D. Perkins Vocational Education Act of 1984. The purposes of the thirteen-member council are to: 1) analyze and evaluate the vocational education program delivery system assisted under the Perkins Act and under the Job Training Partnership Act; and 2) report to and advise the Governor, State Board of Regents of Higher Education, Department of Education, business community, and general public on how well the state's needs for vocational education are being met.

5116 00 00000								
VOCATIONAL EDUCATION COUNCIL								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	2.50	0.00	0.00	2.50	0.00	0.00	2.50	2.50
Personal Services	93,124	7,213	0	100,337	7,554	0	100,678	201,015
Operating Expenses	56,487	7,882	0	64,369	5,907	0	62,394	126,763
Equipment	3,901	(1,201)	0	2,700	799	0	4,700	7,400
Total Costs	\$153,512	\$13,894	\$0	\$167,406	\$14,260	\$0	\$167,772	\$335,178
Fund Sources								
Federal Special	153,512	13,894	0	167,406	14,260	0	167,772	335,178
Total Funds	\$153,512	\$13,894	\$0	\$167,406	\$14,260	\$0	\$167,772	\$335,178

Funding

Funding for the Vocational Education Council is provided through the federal Carl Perkins Vocational Education Act (Public Law 101-392). Montana is authorized \$150,000 annually from the grant. Funding in the 1997 biennium is higher than the authorized grant due to balances from previous fiscal years in which the full grant was not completely expended. Because this program, which is mandated under federal law, is funded with a grant specifically for administration, it does not reduce available funding for vocational education in Montana.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$7,213		\$7,554
2 Inflation/Deflation		370		615
3 Fixed Costs		991		(3,229)
<i>Other Executive Present Law Adjustments</i>				
4 Consulting Services		\$2,690		\$4,690
5 Travel and Miscellaneous		2,731		2,731
6 Indirect Costs		1,100		1,100
7 Equipment		(1,201)		799
<i>Total Executive Present Law Adjustments</i>	0.00	\$13,894	0.00	\$14,260

1) Personal Services - The position of the Program Administrator was upgraded from a grade 17 to a grade 18 during fiscal 1994. This Executive Budget increases the base budget by \$4,477 (additional salary plus benefits) in each year of the 1997 biennium as a result of this upgrade. Other personal service increases reflect a continuation of the fiscal 1995 pay plan, and provisions of full insurance coverage to a part-time position.

2) Inflation & 3) Fixed Costs - The difference in fixed costs from fiscal 1996 to fiscal 1997 is due to inclusion of biennial audit costs in fiscal 1996.

4) Consulting Services - The Executive Budget increased consulting services by \$2,690 over the base year for fiscal 1996 and \$4,690 for fiscal 1997. Increased consulting services will be required to achieve mandates required by the Carl D. Perkins Vocational and Applied Technology Act amendments of 1990.

5) Travel and Miscellaneous - The Executive Budget increased travel by \$2,000 each year of the 1997 biennium. Other adjustments total \$731 each year.

6) Indirect Costs - The Executive Budget includes indirect cost payments to the Department of Administration in the amount of \$1,100 each year of the biennium. Indirect costs payments were not made by the agency during the base year (fiscal 1994).

7) Equipment - The Executive Budget includes one laptop computer in fiscal 1996, and one personal computer and a fax machine in fiscal 1997. Other items include furniture replacement and software. The proposed present law equipment budget is a \$1,201 reduction from the base budget for fiscal 1996 and a \$799 increase for fiscal 1997.

MONTANA UNIVERSITY SYSTEM

System Summary

Budget Item	Base Budget	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec Budget Fiscal 1997	Total Exec Budget Fiscal 96-97
Agency Name								
Comm. of Higher Ed	\$36,722,524	\$3,465,238	\$6,818,118	\$47,005,880	\$4,480,962	\$11,930,390	\$53,133,876	\$100,139,756
Colleges of Technology								
Billings	\$2,155,014	\$118,015	(\$15,243)	\$2,257,786	\$167,775	(\$15,266)	\$2,307,523	\$4,565,309
Butte	1,689,027	117,716	(13,071)	1,793,672	186,686	(11,728)	1,863,985	3,657,657
Great Falls	2,532,861	444,357	(20,135)	2,957,083	621,309	(20,376)	3,133,794	6,090,877
Helena	2,635,124	111,408	(19,526)	2,727,006	291,570	(20,380)	2,906,314	5,633,320
Missoula	2,876,147	487,375	(25,084)	3,338,438	653,290	(24,398)	3,505,039	6,843,477
Subtotal	\$11,888,173	\$1,278,871	(\$93,059)	\$13,073,985	\$1,920,630	(\$92,148)	\$13,716,655	\$26,790,640
University Units								
UM-Missoula	\$51,942,611	\$799,044	(\$491,247)	\$52,250,408	\$1,351,913	(\$501,437)	\$52,793,087	\$105,043,495
MSU-Bozeman	54,356,082	3,598,735	(467,924)	57,486,893	4,356,992	(470,255)	58,242,819	115,729,712
UM-MT Tech	11,158,708	568,182	(82,310)	11,644,580	640,200	(82,804)	11,716,104	23,360,684
MSU-Billings	16,414,057	578,394	(156,769)	16,835,682	840,723	(162,060)	17,092,720	33,928,402
MSU-Northern	8,901,228	554,642	(77,032)	9,378,838	641,848	(78,701)	9,464,375	18,843,213
UM-Western	5,331,318	559,584	(53,575)	5,837,327	672,233	(54,752)	5,948,799	11,786,126
Subtotal	\$148,104,004	\$6,658,581	(\$1,328,857)	\$153,433,728	\$8,503,909	(\$1,350,009)	\$155,257,904	\$308,691,632
Agencies								
Ag Experiment Station	\$10,071,315	\$129,086	(\$210,293)	\$9,990,108	\$163,317	(\$210,744)	\$10,023,888	\$20,013,996
Extension Service	4,965,579	261,606	(117,463)	5,109,722	264,916	(117,549)	5,112,946	10,222,668
Forest/Cons. Exp. Station	684,610	38,313	0	722,923	39,250	0	723,860	1,446,783
Bureau of Mines	1,872,036	189,020	(27,143)	2,033,913	190,882	(27,166)	2,035,752	4,069,665
Fire Services Training	244,532	8,971	0	253,503	7,023	0	251,555	505,058
Subtotal	\$17,838,072	\$626,996	(\$354,899)	\$18,110,169	\$665,388	(\$355,459)	\$18,148,001	\$36,258,170
Total System	\$214,552,773	\$12,029,686	\$5,041,303	\$231,623,762	\$15,570,889	\$10,132,774	\$240,256,436	\$471,880,198
Fund Sources								
General Fund	\$108,085,285	\$1,566,777	(\$409,999)	\$109,242,063	\$2,461,932	\$1,675,965	\$112,223,182	\$221,465,245
State Special	529,201	136,799	0	666,000	136,799	0	666,000	1,332,000
Federal	13,087,541	1,363,158	(152,389)	14,298,310	1,637,301	(153,073)	14,571,769	28,870,079
Proprietary	17,921,199	1,756,592	(12,326)	19,665,465	2,529,955	(12,409)	20,438,745	40,104,210
Mill Levy	17,848,631	(3,212,949)	0	14,635,682	(2,809,426)	0	15,039,205	29,674,887
Tuition and Fees	56,252,838	10,409,653	5,616,017	72,278,508	11,604,672	8,622,291	76,479,801	148,758,309
Other	828,078	9,656	0	837,734	9,656	0	837,734	1,675,468
Total Funding	\$214,552,773	\$12,029,686	\$5,041,303	\$231,623,762	\$15,570,889	\$10,132,774	\$240,256,436	\$471,880,198

System Description

The Montana University System (MUS) consists of the office of the Commissioner of Higher Education (CHE), three community colleges, five colleges of technology, six university units, the Agricultural Experiment Station, the Extension Service and the administratively attached Fire Services Training School, the Forestry and Conservation Experiment Station, and the Bureau of Mines.

Executive Budget

The Executive Budget for the entire Montana University System (MUS) exceeds \$231 million in fiscal 1996 and \$240 million in fiscal 1997, as shown in the main table. General fund provides approximately 47 percent of total funding. Other funding sources are state special revenue, federal funds, proprietary funds, local and statewide mill levies, tuition and fees, and other funds. Funds for the Commissioner of Higher Education (CHE) are appropriated and spent by funding category, but funds for the other components of the MUS are generally combined in current unrestricted

accounts and lose their identity. Funding for each MUS component is discussed in greater detail in the following sections of this report.

The narratives discussing the MUS and related issues are organized into two main sections: 1) an "issues" section discussing Executive Budget, LFA, and Joint Committee on Postsecondary Education Policy and Budget (PEPB) issues pertaining to some or all of the components of the MUS; and 2) an agency section providing agency/program descriptions, present law and new proposal discussions, and program specific issues for CHE, the MUS units, and the experiment stations. Table 1 is a directory providing page numbers for discussions of the various issues.

The "issues" section discusses the system-wide issues and provides background information and data to aid in policy-making decisions. It consists of three parts: 1) background and historical issues; 2) Executive Budget issues; and 3) other LFA issues.

BACKGROUND AND HISTORICAL ISSUES

Background and historical issues are: 1) the special session general fund reduction; 2) historical revenue changes; and 3) the PEPB recommendations.

Special Session General Fund Reduction

The November 1993 Special Session enacted a \$6 million biennial general fund reduction for the 1995 biennium and included language in HB 2 as follows:

"The Board of Regents shall determine the proportional share of the reduction to be allocated to each unit of the Montana University System and reduce its general fund appropriation accordingly."

The regents chose to allocate all of the reductions in fiscal 1995 to allow the units a better opportunity to manage expenditures. As shown in Table 2, the allocations varied from 1.3 percent of fiscal 1995 general fund appropriations at CHE and the research stations to over 7.0 percent at UM-Missoula and MSU-Bozeman. The issue is, did the Board of Regents reduce "its general fund appropriation accordingly?"

If the total reduction had been allocated to the 1.5 years remaining in the biennium at the time of the special session, the effective reductions in fiscal 1994 would have been approximately two-thirds of those shown in the table. The fiscal 1994 expenditure base would then have been approximately \$2 million lower than it actually is. Since the 1997 biennium budget is based on fiscal 1994 expenditures, the regents' action resulted in \$2 million more general fund being budgeted each fiscal year (\$4 million for the 1997 biennium) than if the fiscal 1994 base had been proportionately lower. The net result is that the full \$6 million reduction in fiscal 1995 became a one-time, rather than a partially on-going, general fund reduction.

Table 1
Montana University System Issues

Issues	Page #
System-Wide	
Special Session GF Reduction	E-37
Historical Revenue Changes	E-38
Lump Sum Funding	E-41
Tuition Policy	E-42
Cost of Education	E-42
Enrollment Management	E-44
Tuition Appropriation	E-46
Present Law Issues	
Community College Funding Changes	E-58
Enrollment Adjustments	E-83
New Proposals	
State Assumption-Community Colleges	E-59
Quality Pool	E-70
System Needs	E-71
UTU Contract	E-71
Groundwater Assessment	E-100

Table 2
CHE Allocation of \$6,000,000 1993 Special Session General Fund Reductions
Fiscal 1995 General Fund Appropriations by Unit, Including Pay Plan

Fund	System Total	CHE*	Colleges of Technology	UM Missoula	MSU Bozeman	UM MT Tech	MSU Billings	MSU Northern	UM Western	Research Stations**
Regular Session Total GF Approp.	\$114,663,189	\$10,525,433	\$8,132,762	\$25,831,950	\$31,535,686	\$7,327,575	\$9,831,948	\$5,554,173	\$3,343,094	\$12,580,568
GF Reduction	\$6,000,000	138,432	321,225	1,870,198	2,238,738	393,704	442,337	244,537	187,389	163,440
Remaining Approp.	\$108,663,189	\$10,387,001	\$7,811,537	\$23,961,752	\$29,296,948	\$6,933,871	\$9,389,611	\$5,309,636	\$3,155,705	\$12,417,128
Cut as % of Budget	5.23%	1.32%	3.95%	7.24%	7.10%	5.37%	4.50%	4.40%	5.61%	1.30%
Tuition Offset	\$5,224,782	\$0	\$321,225	\$1,613,160	\$1,932,304	\$324,831	\$583,937	\$270,972	\$178,353	\$0
Net Budget Change	(\$775,218)	(\$138,432)	\$0	(\$257,038)	(\$306,434)	(\$68,873)	\$141,600	\$26,435	(\$9,036)	(\$163,440)

* Includes Community Colleges

** Includes Fire Services Training School

Table 2 also shows the tuition increase approved through the budget amendment process and used to offset the general fund reductions throughout the system. With the additional tuition, the colleges of technology had no net budget reduction. Budget changes among the six units vary from a net budget reduction of \$306,434 at MSU-Bozeman to a net budget increase of \$141,600 at MSU-Billings. Table 2 also illustrates another point - general fund reductions are spread across all parts of the MUS, but CHE and the research stations cannot offset those reductions with tuition increases. Therefore, they sustain the full budget reduction.

Historical Revenue Changes

Table 3 shows the historical revenue changes by agency/unit from fiscal 1992 actual through fiscal 1997 budgeted revenue. In the five-year period, CHE revenue declined over \$84,000, or 7.1 percent. Revenues at two of the experiment stations decline, and revenues at the Bureau of Mines, the Extension Service, and the Fire Services Training School increase slightly. In contrast, total revenue at the six units increases an average of 7.4 percent from fiscal 1992 to 1997 while revenue at the colleges of technology increases 16 percent in the same period. However, changes at individual colleges of technology varied widely, from a 0.4 percent reduction at Butte to a 35.3 percent increase at Great Falls.

While Table 3 demonstrates that the six units and the colleges of technology received greater increases in funding than the other agencies, those increases are primarily the result of enrollment increases (see "Enrollment Management" issue below), as shown in Table 4. When total revenue is divided by total system enrollment at the units and colleges, the average revenue per student decreases by 0.5 percent in the five-year period.

Table 4 also shows separate calculations for revenue per student at the six units and the colleges of technology. These calculations indicate that the revenue per student at the six units increases by 1.1 percent in the Executive Budget, while revenue per student declines by nearly 15 percent at the colleges of technology. The Executive Budget provides a lower proportional incremental revenue for additional new students at the colleges of technology than at the university units (see present law enrollment adjustments in the college of technology and university sections of this report).

Table 3
Total Revenue by Agency, Unit and College*
Fiscal 1992 through Fiscal 1997**

Unit	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY92-97 \$ Change	FY92-97 % Change
CHE-Admin/Regents	\$1,188,259	\$1,048,549	\$1,033,605	\$1,028,106	\$1,119,586	\$1,104,198	(\$84,061)	-7.07%
Ag Experiment Station	10,207,505	10,034,868	10,452,767	10,128,618	9,990,108	10,023,888	(183,617)	-1.80%
Extension Service	4,930,212	4,936,054	4,854,559	4,999,979	5,109,722	5,112,946	182,734	3.71%
Forestry	727,269	702,309	706,350	705,155	722,923	723,860	(3,409)	-0.47%
Bureau of Mines***	1,360,988	1,309,611	1,343,039	1,346,490	1,367,913	1,369,752	8,764	0.64%
Fire Services Training	248,689	224,441	244,532	252,772	253,503	251,555	2,866	1.15%
Unit								
UM-Missoula	\$48,375,844	\$52,114,711	\$54,387,370	\$55,875,651	\$52,250,408	\$52,793,087	\$4,417,243	9.13%
MSU-Bozeman	54,616,586	58,095,193	56,243,385	57,207,714	57,486,893	58,242,819	3,626,233	6.64%
UM-MT Tech	10,564,195	10,892,569	11,279,115	11,370,662	11,644,580	11,716,104	1,151,909	10.90%
MSU-Billings	16,678,598	16,913,896	16,513,025	16,962,695	16,835,682	17,092,720	414,122	2.48%
MSU-Northern	9,057,732	9,201,931	9,029,710	9,215,740	9,378,838	9,464,375	406,643	4.49%
UM-Western	5,238,790	5,299,971	5,509,359	5,506,084	5,837,327	5,948,799	710,009	13.55%
Subtotal	\$144,531,745	\$152,518,271	\$152,961,964	\$156,138,546	\$153,433,728	\$155,257,904	\$10,726,159	7.42%
College of Technology								
Billings	\$2,049,591	\$2,084,097	\$2,189,007	\$1,941,013	\$2,257,786	\$2,307,523	\$257,932	12.58%
Butte	1,871,112	1,894,050	1,772,828	1,796,980	1,793,672	1,863,985	(7,127)	-0.38%
Great Falls	2,316,952	2,361,829	2,608,229	2,685,142	2,957,083	3,133,794	816,842	35.26%
Helena	2,711,706	2,526,101	2,585,530	2,659,917	2,727,006	2,906,314	194,608	7.18%
Missoula	2,842,186	2,847,259	2,923,813	3,076,682	3,338,438	3,505,039	662,853	23.32%
Subtotal	\$11,791,547	\$11,713,336	\$12,079,407	\$12,159,734	\$13,073,985	\$13,716,655	\$1,925,108	16.33%

* Source - University System Operating Budgets

** Fiscal 1992 through 1994 actual, including budget amendments - fiscal 1995, budgeted - fiscal 1996 & 1997, executive budget

***Excludes Groundwater Assessment Program

Table 4
University and College of Technology Revenue per Student
Fiscal 1992 through Fiscal 1997*

Unit	FY 1992	FY 1993	FY 1994**	FY 1995	FY 1996	FY 1997	FY92-97 FTE Change	FY92-97 % Change
University Revenue	\$144,531,745	\$152,518,271	\$152,961,964	\$156,138,546	\$153,433,728	\$155,257,904	\$10,726,159	7.42%
Total 6 Units FTE	26,528	27,088	27,382	27,700	27,802	28,189	1,661	6.26%
Revenue per FTE	\$5,448	\$5,630	\$5,586	\$5,637	\$5,519	\$5,508	\$59	1.09%
Colleges/Tech Revenue								
Colleges/Tech. FTE	\$11,791,547	\$11,713,336	\$12,079,407	\$12,159,734	\$13,070,985	\$13,716,655	\$1,925,108	16.33%
Revenue per FTE	2,271	2,326	2,347	2,573	2,819	3,097	826	36.37%
	\$5,192	\$5,036	\$5,147	\$4,726	\$4,637	\$4,429	(\$763)	-14.70%
Total Revenue	\$156,323,292	\$164,231,607	\$165,041,371	\$168,298,280	\$166,504,713	\$168,974,559	\$12,651,267	8.09%
Total Enrollment	28,799	29,414	29,729	30,273	30,621	31,286	2,487	8.64%
Ave. Revenue per FTE	\$5,428	\$5,583	\$5,552	\$5,559	\$5,438	\$5,401	(\$27)	-0.50%

* Fiscal 1992 through fiscal 1994 actual - fiscal 1995 through 1997 estimated

**Actual student FTE - Executive used budgeted FTE as shown in Table 6, Six Units narrative

PEPB Committee

The Executive Budget does not include funding for the PEPB because statutory authorization and funding (in the LFA 1995 biennium budget) for the committee expires at the end of fiscal 1995. The committee made recommendations pertaining to the executive/MUS budget proposals, and those are referenced in the following narrative. In addition, the PEPB voted to recommend to the legislature that the statutory authorization be renewed to allow continuance of this committee. A more detailed report on committee activities and recommendations will be provided to all legislators during the legislative session.

EXECUTIVE BUDGET ISSUES

The Executive Budget incorporates the major tenets of MUS proposals to increase management flexibility and implement a new funding methodology. According to the Commissioner of Higher Education (CHE), the MUS enrollment management goals, in priority order, are: educational quality, Montana student access, and maximized non-resident tuition. To achieve these goals, the MUS recommends: 1) lump sum funding; 2) a new allocation methodology; 3) strictly controlled enrollment management; and 4) accountability measures to gauge the performance of the system.

As discussed in the LFA report, "MUS Funding Methodology," the MUS proposals spring from a basic philosophy that management flexibility, appropriate incentives within that flexibility, and defined output requirements are the best way to maintain the "appropriate" balance of the interconnecting goals. Under this proposal, the legislature would establish the level of state funding and the defined accountability measures to gauge performance. The legislature would no longer determine funding for each unit or state its intent concerning tuition policy through the appropriation.

As the MUS proposal and goals are discussed, the legislature may also consider:

- 1) legislative control of funding;
- 2) the "appropriate" sharing of costs between resident students and the state taxpayers;
- 3) the over-all cost of education and how it is determined;
- 4) the impact of non-resident enrollment on resident student access; and
- 5) MUS accountability for both the expenditure of funds and system performance.

These issues are discussed below within the context of the Executive Budget and MUS recommendations.

Executive Budget Methodology

The Executive Budget recommends lump sum funding for the 1997 biennium, as discussed below. However, as a means to achieving a budget that can be appropriated as a lump sum, it uses two approaches to calculate the MUS budgets for community colleges, colleges of technology, and the six units: 1) incremental budgeting to establish the present law base budget; and 2) new proposals for additional funding to be allocated at the discretion of the Board of Regents (see "Executive New Proposals" section in the Board of Regents narrative). The incremental budget is based on the fiscal 1994 base year, which is adjusted for inflation, fixed costs, and increases in resident enrollment. This incremental method is a change from prior years, when over 80 percent of the higher education budgets were based on a formula that calculated costs per student and attempted to factor in costs at peer units. The Executive Budget enrollment enhancements and new proposals are based on the MUS enrollment projections, estimates of the resident/non-resident student mix, and self-assessment of campus capacity.

Three issues regarding incremental budgeting are:

- 1) it maintains the current allocation of funding and assumes that the current allocations of expenses are both appropriate and desirable;

- 2) it reduces, but does not eliminate, the tendency to expand enrollment in order to increase funding that occurs with formula funding; and
- 3) it includes a marginal cost adjustment per additional student. A marginal cost is more indicative of true cost of an additional student than the previous formula method in which each student enrolled resulted in an allocation based upon total costs. The issue with using a marginal cost is the question of whether it results in an appropriate allocation of funds. As discussed in the sections that follow, the executive bases this cost primarily on actual instructional salaries, average instructional support costs at UM-Missoula and MSU-Bozeman, and student services costs. The marginal costs, based on fiscal 1994 actual expenditures and relative management decisions to avoid overspending, are not analyzed to determine if the allocation among units is "appropriate."

While the Executive Budget calculates MUS budgets incrementally, it focuses on the system as a whole and recommends that the legislature incorporate MUS proposals for increased management flexibility.

Executive/MUS Plan

The Executive Budget and the university system recommend that the legislature consider providing the MUS with flexibility to manage the system to achieve quality, student access, and maximized revenue. The proposal includes: 1) appropriation of a lump sum; 2) the flexibility to allocate the funds; 3) the administrative ability to enforce enrollment targets; and 4) implementation of accountability measures, as summarized above. These proposals are discussed in more detail below.

Lump Sum Funding

The Executive Budget recommends lump sum funding for the MUS. Specifically, it recommends appropriating to the Board of Regents one sum for all educational units, including the community colleges (see community college issue in the CHE narrative) and one sum for the research and public service agencies. The Executive Budget recommends traditional funding for CHE, less the community colleges. The 1993 legislature provided lump sum funding by unit without regard to program to allow each unit more management flexibility. This executive proposal extends the prior action by allowing management flexibility among units as well as among programs. This proposal raises issues of legislative control, the use of state funds, and tuition policy.

1) Legislative Control - The MUS requested that the PEPB endorse lump sum funding, which would allow the regents maximum flexibility in managing the system. The PEPB discussed the proposal and the concern that allowing flexibility would cause a loss of legislative control and a lack of information available on which to base policy decisions. Specifically, if the legislature approves this proposal, it will no longer control the allocation of general fund, university mill levy, or tuition to individual campuses. It will control only the amount of funds available for the MUS.

The issue for legislative consideration as lump sum funding is discussed is: will the lessening of legislative control over funding allocations be an appropriate tradeoff for the potential benefits of additional management flexibility?

2) Use of State Funds - The executive/MUS proposals include a methodology for allocating state funds to resident students only. This proposal is noteworthy because, under current practices, non-residents may not pay the full cost of education. As a consequence, state funds are used to subsidize those students up to the full cost of education per student (see the discussion on "Allocation and Cost of Education" below).

As discussed in the "MUS Funding Methodology" report referenced earlier, the MUS proposal would multiply a cost factor by the resident enrollment to determine a total state funds appropriation. The cost factor is defined as the percentage of the total cost of education that would be supported with state funds. Remaining costs would be funded by tuition. Therefore, student tuition levels are a direct product of the total cost of education and the amount of state funds available per student. The cost to the non-residents would be dependent upon the total cost of education per

student. If the legislature adopts the MUS funding allocation proposal, it could be implemented in the budget for the 1999 biennium.

The issues embedded in this proposal include not only the appropriate target cost of education (see discussion below) but: a) a determination of an "appropriate" level of state funding per resident student; b) "proper" enrollment management to balance the number of residents and the degree of state student access to the system with the non-resident enrollment (see "Enrollment Management" discussion below); and c) tuition policy, including possible impacts on the amount charged resident students, and statutory changes needed to implement the chosen policy.

3) Tuition Policy - As discussed in the "MUS Funding Methodology" report, the MUS proposal includes tuition charges that are the same for both resident and non-resident students. Each resident student would receive a bill for the full tuition. The state funding per student would be shown as a credit on that bill, and the student would pay the difference. Non-residents would pay the full tuition because there would be no state credit. Policy issues center around the portion the student would pay as tuition, i.e. the balance between the state share of the cost of education (see discussion below) and the student cost.

The legislature may wish to consider what potential impact this policy might have on tuition levels.

When the November 1993 Special Session reduced the general fund appropriation to the MUS by \$6.0 million, it was understood that tuition would increase. Subsequent to the special session, the Board of Regents did raise tuition. Tuition for full-time students carrying 14-18 credits increased by 16.1 percent, from \$1,358 in fiscal 1994 to \$1,576 in fiscal 1995.

The Executive Budget does not include any further general increase in individual student tuition. (However, only 30 percent of anticipated executive pay plan costs are included in the budget as personal services reductions. The remainder would, most likely, be derived from tuition revenues.) Also, it includes new proposals to increase tuition by: a) \$149,686 each year for increased "super tuition" in the law school at UM-Missoula; b) \$4,373,796 in fiscal 1996 and \$5,935,167 in fiscal 1997 for additional non-resident tuition anticipated as a result of enrollment management; and c) \$1,242,221 in fiscal 1996 and \$2,687,124 in fiscal 1997 for 6.5 percent tuition increases to fund the University Teachers Union (UTU) agreement (see new proposals section in the Board of Regents narrative and "Enrollment Management" below). However, the issues of the cost of education and the appropriate student/state shares are not discussed.

The PEPB considered the questions of cost of education targets and funding splits and endorsed the concept of the targets being used to provide a proportional allocation to the units. However, it did not endorse the specific dollar amounts per student as presented by the MUS or propose a proportional state share of the total cost.

Cost of Education and Allocation to Units

As stated above, the executive proposes a lump sum appropriation to the university system. In addition, under the MUS proposal the cost of education is an important factor in determining tuition levels. Therefore, the legislature may wish to review the allocation method proposed by the MUS, which was detailed in the "MUS Funding Methodology" report. Questions raised by the report are: 1) who will determine the cost of education; 2) what method for determining that cost should be used; 3) what is the role of the legislature in reviewing and overseeing the cost; and 4) what is the MUS obligation to maintain that cost?

When those questions were raised during PEPB deliberations, the MUS presented a response entitled, "Montana University System Cost of Education Targets." The paper outlined the cost of education by discipline and unit, based on a New Mexico model that utilized costs in peer states and universities. In that paper the MUS presented target costs per student that varied from \$5,758 at UM-Western to \$8,277 at UM-Tech, as shown in Table 5, compared to an average budgeted cost per student of \$5,600 in fiscal 1995.

Table 5
Fiscal 1996 Target General Fund Cost of Education per FTE Student
Compared to Fiscal 1995 Operating Budget

Unit	Fiscal 1995 Resident Students	Fiscal 1995 Total FTE Cost	Fiscal 1996 Target Cost per FTE	Increase Total to Target	Percent Increase	Gen. Fund 71 % of Increase	Potential Total GF Increase
UM - Missoula	6,941	\$5,597	\$6,532	\$935	16.71%	\$664	\$4,609,711
MSU - Bozeman	7,680	5,717	7,424	1,707	29.87%	1,212	9,309,793
UM - Tech	1,492	6,364	8,277	1,913	30.07%	1,359	2,026,963
MSU - Billings	3,042	5,100	5,881	781	15.32%	555	1,687,497
MSU - Northern	1,635	5,421	6,502	1,081	19.94%	767	1,254,852
UM - Western	980	5,089	5,758	669	13.15%	475	465,628
Totals/Averages***	21,770	\$5,600	\$6,729	\$1,129	20.16%	\$802	\$17,449,366

* Assume incremental increases are split 29/71 tuition/general fund

** 14 - 18 credits resident tuition & registration fees - two semesters - \$1,636 (\$1,608 at UM) plus increase

***All average cost/FTE are weighted averages

The MUS presented these targets as a means to proportionately allocate to the individual units whatever state funding per resident student is available. However, if Montana is to approach its university peers in other states in terms of resources for higher education, it would have to increase spending by an average of \$1,129 per student per year. The increases in total cost would vary from 13.2 percent at UM-Western to 30.1 percent at UM-Tech. Assuming a 71 percent general fund (cost factor discussed above) and 29 percent tuition funding split, the increased general fund cost for resident students would be over \$17 million each year.

Using the same assumptions for calculating tuition, increases would vary from 11.9 percent at UM-Western to 33.9 percent at UM-Tech. Tuition paid by each full-time resident student would vary from \$1,830 at UM-Western to \$2,191 at UM-Tech, as shown in Table 6.

Table 6
Fiscal 1996 Target Tuition Cost of Education per FTE Student
Compared to Fiscal 1995 Operating Budget

Unit	Fiscal 1995 Resident Students	Increase Total to Target	Gen. Fund 71 % of Increase	Fee/Tuition 29% of Increase	FY 1995 Tuition	Percent Increase	Potential Tuition/Fees per FTE
UM - Missoula	6,941	\$935	\$664	\$271	\$1,608	16.87%	\$1,880
MSU - Bozeman	7,680	1,707	1,212	495	1,636	30.26%	2,132
UM - Tech	1,492	1,913	1,359	555	1,636	33.91%	2,191
MSU - Billings	3,042	781	555	227	1,636	13.85%	1,863
MSU - Northern	1,635	1,081	767	313	1,636	19.16%	1,950
UM - Western	980	669	475	194	1,636	11.86%	1,830
Totals/Averages***	21,770	\$1,129	\$802	\$327	\$1,632	20.06%	\$1,959

* Assume incremental increases are split 29/71 tuition/general fund

** 14 - 18 credits resident tuition & registration fees - two semesters - FY 1995 \$1,636 (\$1,608 at UM)

***All average cost/FTE are weighted averages

As stated above, the MUS defined the resulting costs as targets rather than absolute requirements. The main use of the targets, according to MUS, was to provide a "fair" method of proportionately allocating whatever funds are available to the individual units of the university system. In recommending lump sum funding, the Executive Budget is suggesting such an allocation of available funding by the Board of Regents. The PEPB restricted its recommendation for lump sum funding by stating that the distribution to the units should be weighted by salaries and student faculty ratios as presented in the "Cost of Education" report.

Enrollment Management

Enrollment management is central to the executive proposal in that it assumes that both resident and non-resident enrollment would be managed throughout the system to provide access to resident students. The executive includes MUS enrollment forecasts, which are based on enrollment management, for both the total system and the individual units.

Total enrollment in the university system is projected to reach 34,052 students by fiscal year 2000, up 14.5 percent from actual enrollment of 29,729 students in fiscal 1994. The MUS also expects enrollment to reach 31,286 by the end of the 1997 biennium. The projections through the 1997 biennium, assuming managed enrollment, are shown by unit in Table 7.

The table indicates that the MUS anticipates resident enrollment of 22,411 at the six units by the end of the biennium, an increase of 2.4 percent since fiscal 1992. However, it expects resident and non-resident enrollment to increase by 36.4 percent in the same period at the colleges of technology. Based on these enrollment forecasts and current capacity, the MUS concludes that to reach goals relating to both quality and access "...access to a particular unit may be a concern through the next biennium," but "access to the system should not be a problem for in-state students." Clearly, the MUS anticipates a shift of enrollment to the colleges of technology.

The Executive Budget also incorporates the third goal to increase out-of-state revenue. As shown in the center section of Table 7, out-of-state enrollment at the six units is expected to increase by 24.3 percent from fiscal 1992 through fiscal 1997, with most of the increase occurring at UM-Missoula.

1) Fixed Enrollment by Unit - Each campus is expected to project the number of in-state and non-resident students enrolled during the 1997 biennium. The Executive Budget includes those projections in its proposal. The executive also includes funding incentives that are intended to encourage accurate forecasting and reduce the tendency to expand enrollment to receive additional funding.

Two issues relative to fixed enrollment are:

- a) will Montana students be denied access to the system because enrollment targets have been established; and
- b) will the MUS admit additional non-residents in order to increase tuition revenue, thus further limiting resident student access? The MUS maintains that all students can be accommodated within the system. However, some students may not be able to enroll at the particular unit of their choice. The MUS proposes funding incentives, discussed below, which are designed to prevent enrollment of additional non-residents at the expense of resident students.

2) Funding Incentives - Funding incentives for accurate enrollment forecasting are proposed for both in-state and non-resident enrollment as follows:

- a) if a campus exceeds its resident student projection by up to two percent, it will receive only in-state tuition for those students. If it exceeds the two percent cap, all tuition remands to the state. Currently campuses retain all additional tuition collected.

Table 7
Resident & Non-Resident Students
Fiscal 1992 through Fiscal 1997*

Unit	FY 1992	FY 1993	FY 1994**	FY 1995	FY 1996	FY 1997	FTE Change	FY92-97 % Change
Unit - Resident								
UM-Missoula	7,466	7,064	6,928	6,941	6,953	7,055	(411)	-5.50%
MSU-Bozeman	7,514	7,620	7,604	7,680	7,760	7,843	329	4.38%
UM-MT Tech	1,451	1,452	1,478	1,492	1,509	1,527	76	5.24%
MSU-Billings	2,970	3,024	3,051	3,042	3,094	3,198	228	7.68%
MSU-Northern	1,601	1,524	1,602	1,635	1,672	1,710	109	6.81%
UM-Western	878	881	912	980	1,031	1,078	200	22.78%
Subtotal	21,880	21,565	21,575	21,770	22,019	22,411	531	2.43%
Unit-Non Resident/WUE								
UM-Missoula	2,044	2,538	2,728	2,851	2,980	3,023	979	47.90%
MSU-Bozeman	1,991	2,326	2,413	2,395	2,091	1,983	(8)	-0.40%
UM-MT Tech	243	276	284	292	296	299	56	23.05%
MSU Billings	202	216	216	216	219	228	26	12.87%
MSU-Northern	72	79	72	90	107	125	53	73.61%
UM-Western	96	88	94	86	90	120	24	25.00%
Subtotal	4,648	5,523	5,807	5,930	5,783	5,778	1,130	24.31%
Colleges of Technology								
Billings	421	454	428	449	471	494	73	17.34%
Butte	313	325	348	366	403	443	130	41.53%
Great Falls	487	556	591	650	715	787	300	61.60%
Helena	530	440	418	490	550	625	95	17.92%
Missoula	520	551	562	618	680	748	228	43.85%
Subtotal	2,271	2,326	2,347	2,573	2,819	3,097	826	36.37%
Total Enrollment	28,799	29,414	29,729	30,273	30,621	31,286	2,487	8.64%

* Fiscal 1992 through fiscal 1994 actual - fiscal 1995 through 1997 estimated

**Actual student FTE - Executive used budgeted FTE as shown in Table 6, Six Units narrative

b) if a campus falls short of its resident student projection, all state funds allocated for that shortfall are returned to the state; and

c) if a campus exceeds its non-resident student projection by more than one percent, all non-resident tuition is returned to the Board of Regents for redistribution within the system.

The issues for legislative consideration are: 1) should fixed projected enrollment be used to determine funding; and 2) will the incentives ensure appropriate resident student access and system utilization?

The legislature may specifically wish to address the following questions:

a) if resident enrollment is smaller than projected, as it could be if tuition increases dramatically, will the legislature be asked to maintain a "base funding" in the next biennium, regardless of enrollment, or can the MUS reduce operations in proportion to student decreases?

b) if the excess tuition generated by additional non-resident enrollment remains in the system, will the goal of discouraging excess non-resident enrollments at the individual campuses be achieved; and

c) should unanticipated tuition be paid to the state general fund, remanded to the Board of Regents for redistribution, or refunded to enrolled resident students to effectively reduce their tuition?

3) Accountability Measures - In conjunction with greater flexibility to manage, the executive and MUS propose that accountability measures be defined against which MUS performance may be gauged. The MUS proposes defining and implementing accountability measures that would assess areas such as:

a) staffing, curriculum availability, campus habitability, and financial input;

b) MUS output, including graduation rates and undergraduate research experience in all curricula; and

c) system quality, including graduate success in passing licensure exams and finding positions after graduation, graduate satisfaction with their education, and employer satisfaction with graduates hired.

These measures would be designed to provide data with which the legislature could hold the MUS accountable for its total performance relative to stated legislative goals.

The MUS is currently in the process of defining accountability measures to present to the legislature for its review. However, those measures will not be available before early spring 1995. Because much of the appropriations process will have occurred before accountability measures are defined, the legislature may wish to provide input on the types of information it expects the MUS to provide. In addition, if the legislature endorses the Executive Budget/MUS proposals, it may wish to do so contingent on the development of mutually agreed upon accountability measures prior to the end of the regular session.

Other LFA Issues

Tuition Appropriation

During the June 1994 Legislative Finance Committee meeting, an issue concerning legislative appropriation of tuition was discussed. It arose because the MUS had requested a budget amendment for increased tuition revenue.

The November 1993 Special Session had reduced the MUS budget by imposing a biennial \$6,000,000 general fund reduction and including language in HB 2 that stated:

"The Board of Regents may find it necessary to increase tuition at the six university units and the five vocational-technical centers in fiscal year 1995 as a result of the general fund reductions contained in this act. Any additional tuition revenue over the appropriated level is appropriated to the Board of Regents for allocation to the six university units and the five vocational-technical centers."

Subsequent to the passage of HB 2, the MUS anticipated and received a budget amendment for \$2.7 million in additional tuition revenue for fiscal 1994. A question arose as to whether the funds had been appropriated by the language above or whether a budget amendment was required. The LFA requested an opinion from the Code Commissioner, who stated that, in his opinion, the language was moot because the legislature does not have the authority to appropriate tuition. He cited one constitutional and three statutory grounds for his opinion:

1) according to an Attorney General's opinion, the constitution prohibits the legislature from directly or indirectly establishing tuition rates for the MUS. The Code Commissioner extends that reasoning to suggest that the Board of Regents also controls the expenditure of the funds. As further support, he cites a Montana Supreme Court ruling that the legislature does not have the authority to appropriate private funds and he likens tuition to private funds;

2) statutes are inconsistent, but section 20-25-422, MCA, states that "...for the support and endowment of the university [of Montana] there is annually and perpetually appropriated...all tuition and matriculation fees..." Therefore, funds are appropriated by statute, even though that appropriation does not conform to the requirements of a statutory appropriation;

3) section 17-8-101, MCA, which provides for the appropriation and disbursement of funds from the state treasury, does not address higher education funds, indicating that perhaps these funds are outside of the appropriation process; and

4) appropriations must be sanctioned by law. The Code Commissioner states that in order to be sanctioned, HB 2 should have "fixed at least a maximum amount that the appropriation may not exceed." Clearly, the language in HB 2 does not include an upper limit.

An Attorney General's opinion on this matter has not been requested, and all parties are proceeding as if legislative appropriation of tuition and budget amendments for additional tuition are required. The legislature may wish to consider the two issues raised concerning appropriation of tuition: a) should an Attorney General's opinion be requested on whether the legislature has the constitutional and statutory authority to appropriate tuition; and b) does the legislature wish to consider legislation to address the statutory inconsistencies.

COMMISSIONER OF HIGHER ED**Agency Summary****BIENNIUM BUDGET COMPARISON**

Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	85.95	(9.75)	76.20	85.95	(9.75)	76.20	85.95	76.20
Personal Services	2,855,382	974,163	3,829,545	2,866,191	2,418,253	5,284,444	5,240,004	9,113,989
Operating Expenses	4,159,643	725,421	4,885,064	4,229,094	915,492	5,144,586	8,568,034	10,029,650
Equipment	36,870	744,738	781,608	31,870	956,460	988,330	118,036	1,769,938
Local Assistance	4,510,967	0	4,510,967	4,479,607	1,277,586	5,757,193	8,486,326	10,268,160
Grants	8,005,048	0	8,005,048	8,104,727	0	8,104,727	14,899,316	16,109,775
Benefits and Claims	16,929,444	0	16,929,444	17,691,280	0	17,691,280	33,431,566	34,620,724
Transfers	3,584,340	4,373,796	7,958,136	3,700,112	5,935,167	9,635,279	6,270,836	17,593,415
Debt Service	106,068	0	106,068	100,605	427,432	528,037	327,921	634,105
Total Costs	\$40,187,762	\$6,818,118	\$47,005,880	\$41,203,486	\$11,930,390	\$53,133,876	\$77,342,039	\$100,139,756
Fund Sources								
General Fund	11,223,361	1,354,490	12,577,851	11,194,940	3,461,172	14,656,112	21,145,732	27,233,963
State/Other Special	0	5,616,017	5,616,017	0	8,622,291	8,622,291	500,000	14,238,308
Federal Special	10,233,542	(152,389)	10,081,153	10,507,685	(153,073)	10,354,612	18,849,835	20,435,765
Proprietary	18,730,859	0	18,730,859	19,500,861	0	19,500,861	36,846,472	38,231,720
Total Funds	\$40,187,762	\$6,818,118	\$47,005,880	\$41,203,486	\$11,930,390	\$53,133,876	\$77,342,039	\$100,139,756

Agency Description

The Commissioner of Higher Education is the chief administrative officer of the Montana University System (MUS). Article X, Section 9 of the Montana constitution requires that the Board of Regents appoint the commissioner and prescribe his powers and duties. The commissioner and agency personnel are responsible for providing leadership, technical assistance, and staff support to the Board of Regents and postsecondary education agencies to enable coordination, consistent regulations and management, evaluation of policies and programs, and long-range planning. The agency provides budgetary planning and funds distribution for the postsecondary education agencies under its control, as well as administration for both state and federal student assistance programs.

5102 00 00000								
COMMISSIONER OF HIGHER ED								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	84.95	1.00	(9.75)	76.20	1.00	(9.75)	76.20	76.20
Personal Services	2,476,277	379,105	974,163	3,829,545	389,914	2,418,253	5,284,444	9,113,989
Operating Expenses	3,999,950	159,693	725,421	4,885,064	229,144	915,492	5,144,586	10,029,650
Equipment	40,608	(3,738)	744,738	781,608	(8,738)	956,460	988,330	1,769,938
Local Assistance	4,285,862	225,105	0	4,510,967	193,745	1,277,586	5,757,193	10,268,160
Grants	7,460,618	544,430	0	8,005,048	644,109	0	8,104,727	16,109,775
Benefits and Claims	15,107,209	1,822,235	0	16,929,444	2,584,071	0	17,691,280	34,620,724
Transfers	3,135,005	449,335	4,373,796	7,958,136	565,107	5,935,167	9,635,279	17,593,415
Debt Service	216,995	(110,927)	0	106,068	(116,390)	427,432	528,037	634,105
Total Costs	\$36,722,524	\$3,465,238	\$6,818,118	\$47,005,880	\$4,480,962	\$11,930,390	\$53,133,876	\$100,139,756
Fund Sources								
General Fund	10,689,553	533,808	1,354,490	12,577,851	505,387	3,461,172	14,656,112	27,233,963
State/Other Special	0	0	5,616,017	5,616,017	0	8,622,291	8,622,291	14,238,308
Federal Special	9,028,506	1,205,036	(152,389)	10,081,153	1,479,179	(153,073)	10,354,612	20,435,765
Proprietary	17,004,465	1,726,394	0	18,730,859	2,496,396	0	19,500,861	38,231,720
Total Funds	\$36,722,524	\$3,465,238	\$6,818,118	\$47,005,880	\$4,480,962	\$11,930,390	\$53,133,876	\$100,139,756

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

5102 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions	(0.55)	(\$40,248)	(\$40,248)	(0.55)	(\$40,306)	(\$40,306)
2 Comm Colleges-Increase Funding	0.00	0	0	0.00	1,705,018	1,705,018
3 Additional Grant Money	0.00	0	75,421	0.00	0	75,492
4 Personal Services Reductions	(0.20)	0	(16,988)	(0.20)	0	(17,027)
5 Personal Services Reductions	(9.00)	0	(210,822)	(9.00)	0	(211,538)
6 Quality Pool	0.00	0	4,373,796	0.00	0	5,935,167
7 System Needs	0.00	1,394,738	1,394,738	0.00	1,796,460	1,796,460
8 UM UTU Add'tl Tuition Agreemnt	0.00	0	1,242,221	0.00	0	2,687,124
Totals	(9.75)	\$1,354,490	\$6,818,118	(9.75)	\$3,461,172	\$11,930,390

5102 01 00000								
COMMISSIONER OF HIGHER ED				ADMINISTRATION PROGRAM				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	15.85	0.10	(0.55)	15.40	0.10	(0.55)	15.40	15.40
Personal Services	769,171	98,199	(40,248)	827,122	101,953	(40,306)	830,818	1,657,940
Operating Expenses	227,384	28,138	0	255,522	9,024	0	236,408	491,930
Equipment	4,002	(152)	0	3,850	(152)	0	3,850	7,700
Total Costs	\$1,000,557	\$126,185	(\$40,248)	\$1,086,494	\$110,825	(\$40,306)	\$1,071,076	\$2,157,570
Fund Sources								
General Fund	1,000,557	126,185	(40,248)	1,086,494	110,825	(40,306)	1,071,076	2,157,570
Total Funds	\$1,000,557	\$126,185	(\$40,248)	\$1,086,494	\$110,825	(\$40,306)	\$1,071,076	\$2,157,570

Program Description

The Administration Program provides the funding for the constitutionally mandated position of Commissioner of Higher Education, who serves as the chief administrative officer of the Montana University System and chief administrative officer for postsecondary vocational-technical education in Montana. The administration program also includes personnel to assist the commissioner in securing implementation of Board of Regents' policy and establishing administrative regulations in the following areas: general administration of the university system and vocational-technical centers; academic, financial, and legal administration; labor relations and personnel administration; and student assistance administration.

Funding

The Administration program is funded entirely with general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The Executive Budget recognizes the transfer of the vo-tech administration to the Administration program and includes the full 15.85 FTE for those programs in both the base and the total budget. In addition, it includes a 0.1 FTE increase resulting from adjustment of FTE between programs. Personal services increase by \$98,199 in fiscal 1996 and \$101,953 in fiscal 1997 due to the net of: a) a net 0.1 FTE adjustment resulting in an increase of less than \$1,000; b) increases of approximately \$23,000 for continuation of the pay plan in the 1997 biennium; c) net longevity and other salary increases of approximately \$6,000 in fiscal 1996 and \$9,000 in fiscal 1997; d) vacancy savings of over \$136,000; and e) a reduction of approximately \$68,000 for termination payouts.

2) Inflation - Inflationary increases of \$1,509 in fiscal 1996 and \$2,606 in fiscal 1997 result primarily from net increases in supplies, materials, travel, and utilities and net decreases in communications.

3) Fixed Costs - Fixed costs increase by \$7,043 in fiscal 1996 and decrease by \$12,673 in fiscal 1997 because: a) audit fees, included in fiscal 1996 only, increase by \$2,677 from \$20,436 in fiscal 1994 to \$23,113 in fiscal 1996; and b) net increases of \$4,366 in fiscal 1996 and \$7,763 in fiscal 1997 occur in warrant writing, payroll services, computer fees, and messenger services.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services	0.10	\$98,199	0.10	\$101,953
2 Inflation/Deflation		1,509		2,606
3 Fixed Costs		7,043		(12,673)
Other Executive Present Law Adjustments				
4 Rent		\$14,043		\$13,255
5 Equipment		(152)		(152)
6 Miscellaneous		5,543		5,836
Total Executive Present Law Adjustments	0.10	\$126,185	0.10	\$110,825

- 4) Rent - Rent for office space in the building owned by the Montana Higher Education Student Assistance Corporation (MHESAC) increases by \$14,043 in fiscal 1996 and \$13,255 in fiscal 1997, resulting in a total annual payment of \$88,252 in fiscal 1996 and \$87,464 in fiscal 1997. This payment includes both rent, which is not to exceed \$84,150 per year based on action by the 1991 legislature, and a reserve payment required under the contract. Fiscal 1994 rent was reduced because CHE received one-time discounts for principal and interest when MHESAC refinanced its loan.
- 5) Equipment - The equipment budget of \$3,850 each year is \$152 lower than the fiscal 1994 base level and includes replacement computer and office equipment.
- 6) Miscellaneous Adjustments - Repair and maintenance increase by \$6,126 in fiscal 1996 and \$6,419 in fiscal 1997 to pay for maintenance of additional computers and office equipment. These increases are partially offset by a \$583 annual decrease in other services.

5102 01 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Personal Services Reductions	(0.55)	(\$40,248)	(\$40,248)	(0.55)	(\$40,306)	(\$40,306)
Totals	(0.55)	(\$40,248)	(\$40,248)	(0.55)	(\$40,306)	(\$40,306)

Executive New Proposals

- 1) Personal Services Reduction - The Executive Budget: a) eliminates 0.55 FTE by reducing a 1.0 FTE position to 0.75 FTE and a 0.80 FTE position to 0.5 FTE; and b) reduces personal services by \$40,248 in fiscal 1996 and \$40,306 in fiscal 1997. The 1.80 FTE positions have been vacant for more than one year as of November 1, 1994.

COMMISSIONER OF HIGHER ED

Program Summary

STUDENT ASSISTANCE PROGRAM

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local Assistance	75,000	4,000	0	79,000	4,000	0	79,000	158,000
Grants	5,242,087	341,967	0	5,584,054	365,699	0	5,607,786	11,191,840
Total Costs	\$5,317,087	\$345,967	\$0	\$5,663,054	\$369,699	\$0	\$5,686,786	\$11,349,840
Fund Sources								
General Fund	5,061,359	296,695	0	5,358,054	320,427	0	5,381,786	10,739,840
Federal Special	255,728	49,272	0	305,000	49,272	0	305,000	610,000
Total Funds	\$5,317,087	\$345,967	\$0	\$5,663,054	\$369,699	\$0	\$5,686,786	\$11,349,840

Program Description

The Student Assistance Program consists of: the Western Interstate Commission on Higher Education (WICHE) Student Exchange Program which provides education opportunities for Montana students in the fields of medicine, dentistry, veterinary medicine, optometry, public health, occupational therapy, and podiatry; the Washington, Alaska, Montana, Idaho (WAMI) program, a cooperative agreement for medical education; the cooperative dental education agreement with the University of Minnesota; the State Student Incentive Grant (SSIG) program which provides grant funds to needy students (50 percent from federal funds and 50 percent matching state funds); the Paul Douglas Teacher Scholarship Program, a federally funded scholarship program awarded to full-time students pursuing teaching careers; the Perkins Loan fund (formerly NDSL) which provides funds to students by the postsecondary institutions matching a basic amount appropriated by the legislature; the state matching dollars for the federal Supplemental Educational Opportunity Grant (SEOG); and the state's share of Montana's Workstudy Program (Title 20, Chapter 25, Part 7, MCA).

Funding

All funding for interstate student assistance programs, state work study, and the match on federal Carl Perkins and SEOG funds is from the general fund. SSIG grants are federal funds matched on a 50/50 basis with general fund. Paul Douglas Scholarships are federally funded.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Local Assistance - The Executive Budget includes an increase of \$4,000 general fund each year to pay \$79,000 required for WICHE administration dues.
- 2) Grants - The Executive Budget includes funding for two major categories of student assistance: a) interstate student assistance, which includes WICHE, WAMI, and Minnesota Dentistry; and b) student aid programs, including SSIG, SEOG, Perkins Loans, state work study, and Paul Douglas scholarships. As shown in the tables and narrative, total grants increase by \$341,967 in fiscal 1996 and \$369,699 in fiscal 1997.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Other Executive Present Law Adjustments				
1 Local Assistance		\$4,000		\$4,000
2 Grants		341,967		365,699
Total Executive Present Law Adjustments	0.00	\$345,967	0.00	\$369,699
LFA Issues With Executive PL Adjustments				
2 Grants - Student Aid Program				

Interstate Student Assistance - Table 1 summarizes the Executive Budget proposal for all interstate student assistance programs, student slots, and costs per slot in the 1997 biennium. The total budget for interstate student assistance is lower than fiscal 1994 expenditures by \$116,598 in fiscal 1996 and \$106,011 in fiscal 1997. The executive includes 80 slots for new and continuing WAMI students each year, a practice carried forward from the 1995 biennium. The 20 slots for new WAMI medical students do not require additional funding because students spend their first year of medical school on the MSU-Bozeman campus.

Table 1 Interstate Student Assistance Programs 1997 Biennium														
Program	Cost per Slot	Fiscal 1996					Total Cost	Cost per Slot	Fiscal 1997					Total Cost
		---New---	Cost	Students	---Continuing---	Cost			---New---	Cost	Students	---Continuing---	Cost	
WICHE														
Administrative Dues						\$79,000							\$79,000	
Student Assistance														
Medicine	\$22,800	5	\$114,000	16	\$364,800	\$478,800	\$22,800	5	\$114,000	15	\$342,000	\$456,000		
Dentistry	13,900	1	13,900	5	69,500	83,400	14,300	1	14,300	4	57,200	71,500		
Optometry	8,200	1	8,200	5	41,000	49,200	8,400	1	8,400	4	33,600	42,000		
Public Health*	4,700	1	4,700	2	6,266	10,966	4,900	1	4,900	1	4,900	9,800		
Osteopathic Medicine	12,300	2	24,600	5	61,500	86,100	12,600	2	25,200	4	50,400	75,600		
Veterinary	19,300	5	96,500	23	443,900	540,400	19,900	5	99,500	18	358,200	457,700		
Occupational Therapy**	5,000	1	5,000	0	0	5,000	5,200	1	5,200	1	6,933	12,133		
Podiatry	8,500	1	8,500	1	8,500	17,000	8,800	1	8,800	2	17,600	26,400		
Subtotal		17	\$275,400	57	\$995,466	\$1,349,866		17	\$280,300	49	\$870,833	\$1,230,133		
Minnesota Dentistry	\$13,900	2	\$27,800	4	\$55,600	\$83,400	\$14,300	2	\$28,600	4	\$57,200	\$85,800		
WAMI Medicine	39,863	20	0	60	2,391,780	2,391,780	41,995	20	0	60	2,519,700	2,519,700		
Total		39	\$303,200	121	\$3,442,846	\$3,825,046		39	\$308,900	113	\$3,447,733	\$3,835,633		
* Continuing students at \$3,133 in fiscal 1996														
** 1.33 support includes clinical for continuing student in fiscal 1997														

As shown in Table 2, 348 total slots were appropriated by discipline for the 1995 biennium. Actual slots filled totalled 348, but the MUS re-distributed slots by discipline as shown in the second column, depending on the fields for which

students applied. The Executive Budget reduces total slots by 36 in the 1997 biennium as a result of: a) a net reduction of 15 WICHE medical, dental, and optometry slots; b) a net increase of 6 slots in osteopathic medicine and podiatry; and c) a reduction of 27 veterinary medicine slots.

The 1993 legislature approved 9 new student slots for veterinary medicine in fiscal 1994, but it approved no new slots for fiscal 1995 as part of a budget reduction. In the re-distribution shown in Table 2, the MUS did approve three new veterinary students using funds available from a reduced expenditure in other programs, but because fewer new students were approved in fiscal 1995, there are fewer continuing students in fiscal 1996 and 1997. It is unclear exactly whether the legislature intended a total phase out of the program, a one-time reduction, or some type of on-going reduction. Continuing the fiscal 1995 legislative policy of not admitting new students in the 1997 biennium would phase out the program in fiscal 1998, except for the three new students admitted in fiscal 1995. Returning the number of new student slots to 10 (the fiscal 1994 level) would reinstate the full program by fiscal 1999. The Executive Budget has chosen an intermediate action and proposed that the veterinary medicine program admit five new students each year, thus cutting the program to approximately half of its 1994 level.

Table 2
Comparison of Numbers of Students
1995 to 1997 Biennium

Program	Approp. 95 Biennium	Act. 1995 Biennium	1997 Biennium	Difference
WICHE				
Medicine	44	44	41	(3)
Dentistry	14	16	11	(5)
Optometry	17	18	11	(7)
Public Health	6	5	5	0
Osteopathic Medicine	12	10	13	3
Veterinary	72	78	51	(27)
Occupational Therapy	5	3	3	0
Podiatry	4	2	5	3
Subtotal	174	176	140	(36)
Minnesota Dentistry	14	12	12	0
WAMI Medicine	160	160	160	0
Total	348	348	312	(36)

Table 3
Student Aid Programs
1997 Biennium

Program	Actual Fiscal 1994	Exec. Budget Fiscal 1996	Exec. Budget Fiscal 1997	Difference FY94-96
SSIG	\$420,650	\$440,000	\$440,000	\$19,350
Perkins Loans	121,765	270,000	270,000	148,235
SEOG	282,028	390,000	390,000	107,972
State Work Study	500,000	653,008	666,153	153,008
Paul Douglas	55,000	85,000	85,000	30,000
Total	\$1,379,443	\$1,838,008	\$1,851,153	\$458,565
Funding				
General Fund				
SSIG	\$219,922	\$220,000	\$220,000	\$78
Perkins Loans	121,765	270,000	270,000	148,235
SEOG	282,028	390,000	390,000	107,972
State Work Study	500,000	653,008	666,153	153,008
Total	\$1,123,715	\$1,533,008	\$1,546,153	\$409,293
Federal Funds				
SSIG	\$200,728	\$220,000	\$220,000	\$670,273
Paul Douglas	55,000	85,000	85,000	30,000
Total	\$255,728	\$305,000	\$305,000	\$700,273

Student Aid Programs - Table 3 shows the student aid programs and compares fiscal 1994 expenditures to the Executive Budget for the 1997 biennium. In total, student aid increases by \$458,565 in fiscal 1996 and \$471,710 in fiscal 1997. The 25 percent general fund match of \$270,000 for Perkins and \$390,000 for SEOG grants increases because the MUS anticipates that federal Perkins funds will increase to \$810,000 and federal SEOG funds will increase to \$1.17 million each year of the 1997 biennium. The federal portion of the Perkins and SEOG funds are not budgeted in the appropriations act, but are appropriated directly to the university units. Anticipated Paul Douglas funds remain at the 1995 biennium appropriated level of \$85,000, resulting in an increase of \$30,000 from fiscal 1994 actual expenditures.

LFA Issue - SSIG grants require a 50 percent match. However, the MUS disbursed \$219,922 of the \$220,000 general fund appropriation for fiscal 1994, but expended only \$200,728 of federal funds. As a result, the actual state match was 52 percent. The Executive Budget

includes the general fund and federal funds at the fiscal 1994 appropriated level of \$220,000 each.

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COMMISSIONER OF HIGHER ED				DDE MATHEMATICS & SCI ED ACT				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	13,198	(13,198)	0	0	(13,198)	0	0	0
Operating Expenses	2,264	0	0	2,264	0	0	2,264	4,528
Grants	282,802	33,103	0	315,905	41,057	0	323,859	639,764
Total Costs	\$298,264	\$19,905	\$0	\$318,169	\$27,859	\$0	\$326,123	\$644,292
Fund Sources								
Federal Special	298,264	19,905	0	318,169	27,859	0	326,123	644,292
Total Funds	\$298,264	\$19,905	\$0	\$318,169	\$27,859	\$0	\$326,123	\$644,292

Program Description

The federal Dwight D. Eisenhower Math and Science Education Act of 1988 provides funds to be used to upgrade the teaching skills of teachers in the mathematics and science disciplines. Grants are awarded to all institutions of higher education within the state on a competitive basis. Priorities for the grants are: 1) inservice training for elementary, secondary, and vocational school teachers to improve their teaching skills in the fields of mathematics and science; 2) retraining teachers who are currently teaching without proper certification in mathematics and science; 3) retraining teachers who are currently teaching in other disciplines so they will specialize in teaching mathematics and science; and 4) traineeship programs for new teachers who will specialize in mathematics and science.

Funding

This program is funded entirely through Title IIA of the federal Dwight D. Eisenhower Math and Science Education Act of 1988.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$13,198)		(\$13,198)
2 Inflation/Deflation				
3 Fixed Costs				
<i>Other Executive Present Law Adjustments</i>				
4 Grants		\$33,103		\$41,057
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$19,905</u>	<u>0.00</u>	<u>\$27,859</u>

The Executive Budget includes funding of \$318,169 in fiscal 1996 and \$326,123 in fiscal 1997. These estimates are based on the fiscal 1995 award level of \$310,409, plus 2.5 percent annual increases in the 1997 biennium. Provisions of the grant allow certain administrative expenses in support of grant activities, which totalled \$15,462 in fiscal 1994. The Executive Budget eliminates personal services of \$13,198 actually expended in fiscal 1994, but includes the operating expense of \$2,264 in the base. Therefore, as a result of lower operating expenses and increased revenue, grants increase by \$33,103 in fiscal 1996 and \$41,057 in fiscal 1997.

COMMISSIONER OF HIGHER ED

Program Summary

COMMUNITY COLLEGE ASSISTANCE

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local Assistance	4,210,862	221,105	0	4,431,967	189,745	1,277,586	5,678,193	10,110,160
Debt Service	0	0	0	0	0	427,432	427,432	427,432
Total Costs	\$4,210,862	\$221,105	\$0	\$4,431,967	\$189,745	\$1,705,018	\$6,105,625	\$10,537,592
Fund Sources								
General Fund	4,210,862	221,105	0	4,431,967	189,745	1,705,018	6,105,625	10,537,592
Total Funds	\$4,210,862	\$221,105	\$0	\$4,431,967	\$189,745	\$1,705,018	\$6,105,625	\$10,537,592

Program Description

The Community College Assistance Program distributes funds appropriated by the legislature for the support of Montana's three community colleges: Miles Community College, Flathead Valley Community College, and Dawson Community College. Each community college district has an elected board of trustees accountable to and supervised by the Board of Regents.

Funding

Community College assistance is funded entirely with general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Other Executive Present Law Adjustments</i>				
1 Local Assistance to Community Colleges		\$221,105		\$189,745
<i>Total Executive Present Law Adjustments</i>	0.00	\$221,105	0.00	\$189,745
<i>LFA Issues With Executive PL Adjustments</i>				
1 Local Assistance to Comm. Colleges-Funding Method Change				

The Executive Budget increases assistance for community colleges by \$221,105 in fiscal 1996 and \$189,745 in fiscal 1997, using an incremental approach to budgeting similar to that used for the university units (see "Budget Methodology" in the general system narrative). The 1994 actual expenditures were adjusted upward by: 1) removing

1995 biennium audit costs from the base and adding the audit costs for the 1997 biennium in fiscal 1996; 2) increasing only the student services and instruction costs for an estimated 194 additional resident student FTE; and 3) calculating the general fund share at 49 percent of the total.

LFA Issue - Funding Method Changes

The executive methodology differs from the method used to develop funding for the community colleges in the 1995 biennium. The 1995 biennium general fund budget for community college assistance was developed by using a formula that multiplied three factors: 1) average enrollment of the prior two years; 2) a total cost factor per student; and 3) a general fund share of the cost factor of 49 percent of the total cost plus audit costs. As shown in Table 4, if the same method had been used for the 1997 biennium, the cost factor per student would have been \$4,029, including both residents and non-residents, and the formula would have required \$4.5 million general fund each year.

Table 4
Community College Funding Formula
Fiscal 1994 to 1997 Biennium

Community College	FY93 FTE*	FY94 Ave. FTE FTE*	FY93/94	Factor	Total Cost	Audit	% GF	Formula GF Fiscal 96**	Formula GF Fiscal 97
Dawson	477	490	483.50	\$4,029	\$1,948,022	\$20,000	49	\$964,331	\$954,531
Flathead	1,189	1,168	1178.50	4,029	4,748,177	24,000	49	2,338,366	2,326,606
Miles City	625	580	602.50	4,029	2,427,473	20,000	49	1,199,262	1,189,462
Totals	2,291	2,238	2,265	\$4,029	\$9,123,671	\$64,000	49	\$4,501,959	\$4,470,599

* Includes unrestricted resident & non-resident FTE

** Audit included at 49% GF in FY96

The Executive Budget for fiscal 1996 includes \$221,105 more than the 1994 actual expenditures, as discussed above. However, as shown in Table 5, it includes approximately \$70,000 less general fund annually than if the formula had been used. This difference is primarily the net result of three interrelated factors:

1) the executive included only projected resident students of 2,162 FTE, but the formula would have included 2,265 FTE, which is the average of all unrestricted students from the prior two years, including non-residents;

2) the executive included only instruction and student services costs of approximately \$2,300 per student when calculating the costs for increased numbers of students, rather than all costs totalling over \$4,000; and

Table 5
Executive Changes in Community College Funding
Fiscal 1994 to 1997 Biennium

Community College	Formula GF Fiscal 1996	Formula GF Fiscal 1997	Fiscal 1996* Exec. Budget	Fiscal 1997 Exec. Budget	Fiscal 1996/97 Exec.-Formula
Dawson	\$964,331	\$954,531	\$938,369	\$928,569	(\$25,962)
Flathead	2,338,366	2,326,606	2,342,465	2,330,705	4,099
Miles City	1,199,262	1,189,462	1,151,133	1,141,333	(48,129)
Totals	\$4,501,959	\$4,470,599	\$4,431,967	\$4,400,607	(\$69,992)

* Audit included at 49% GF in FY96

3) the executive fiscal 1994 base expenditures included the \$4,163 factor calculated for the 1995 biennium, while the formula factor would have been \$4,029.

Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Comm Colleges-Increase Funding					\$1,705,018	\$1,705,018
Totals					\$1,705,018	\$1,705,018

Executive New Proposals

1) State Assumption of Community Colleges - The Executive Budget proposes full state assumption of community colleges in fiscal 1997. The proposal includes: a) state assumption of all operations costs; b) state ownership of all buildings and state debt payments for 7 years at Dawson County Community College and 15 years at Flathead Valley Community College; and c) funding through general fund, tuition, a 1.5 mill local levy, and miscellaneous revenue. A local advisory board would be established at each community college, each campus would have a managerial executive officer reporting to a university president, and the Board of Regents would be the policy-making board.

As shown in Table 6, general fund for operations would increase from 49 to 63 percent and debt service would be 100 percent general fund. General fund expenditures would, therefore, increase by \$1.7 million in fiscal 1997, and those increases would continue into following biennia. Tuition and local funds, primarily the mill levy, would decrease by the same amount, resulting in mill levy decreases of 10.69 mills in Flathead County, 40.77 mills in Dawson County, and 40.93 mills in Custer County.

LFA Issue - The executive proposes state assumption of all facilities and debt service. Flathead Valley levies 2.87 mills for debt service and Dawson County levies 4.06 mills, while Custer County is virtually debt free. State assumption of facilities and debt appears to be a greater benefit to taxpayers of Flathead and Dawson counties than to those in Custer County where the debt has already been paid. If the legislature chose to approve state assumption of the community colleges, it would have two options: a) approve the executive proposal and assume ownership for all buildings and debt; or b) assume responsibility for operations only.

Table 6 State Assumption of Community Colleges Fiscal 1997				
	Total Base	Percent Gen. Fund	Gen. Fund Request	Tuition & Local Funds
Base FY94	\$8,593,596	49.00%	\$4,210,862	\$7,396,404
Present Law Adj.	387,235	49.00%	\$189,745	197,490
Total Present Law	\$8,980,831		\$4,400,607	\$7,593,894
Executive Fiscal 1997	\$8,980,831	63.23%	\$5,678,193	6,316,308
Operating Difference	\$0		\$1,277,586	(\$1,277,586)
Debt Service			427,432	(427,432)
Total Funding Switch			\$1,705,018	(\$1,705,018)

The legislature may wish to consider whether integration of the community colleges into the MUS offsets the loss of local control (and possibly local involvement) over the schools. The legislature may also wish to consider whether the benefit of integration warrants the loss of revenue from local financial participation through the mill levy.

COMMISSIONER OF HIGHER ED
 Program Summary

MUS GROUP INSURANCE PROGRAM

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	3.50	0.15	0.00	3.65	0.15	0.00	3.65	3.65
Personal Services	110,912	12,253	0	123,165	12,697	0	123,609	246,774
Operating Expenses	1,637,415	39,635	0	1,677,050	47,357	0	1,684,772	3,361,822
Equipment	2,674	(1,474)	0	1,200	(1,474)	0	1,200	2,400
Benefits and Claims	15,107,209	1,822,235	0	16,929,444	2,584,071	0	17,691,280	34,620,724
Total Costs	\$16,858,210	\$1,872,649	\$0	\$18,730,859	\$2,642,651	\$0	\$19,500,861	\$38,231,720
Fund Sources								
Proprietary	16,858,210	1,872,649	0	18,730,859	2,642,651	0	19,500,861	38,231,720
Total Funds	\$16,858,210	\$1,872,649	\$0	\$18,730,859	\$2,642,651	\$0	\$19,500,861	\$38,231,720

Program Description

The Board of Regents provides faculty and staff with group benefits through the Montana University System Group Insurance Program. The commissioner is authorized by Board of Regents policy to administer the program as a self-insured, group insurance plan. The Montana University System Group Insurance Program covers faculty and staff employed by the six units of the university system, the five vocational-technical centers, and the commissioner's office. The program offers medical, dental, vision, group life insurance, and long-term disability benefits to employees, retirees, and eligible dependents.

Funding

The Group Insurance program is funded from four sources: 1) employer health insurance premiums; 2) employee-paid premiums; 3) employee payments to a flexible spending account; and 4) interest earnings on the fund. The state, as an employer, contributed \$210 per month per employee in fiscal 1994 and \$230 per month in fiscal 1995. Employee premiums depend upon whether the contributor is a current employee, spouse or other dependent of the employee, or retiree. Payments to a flexible spending account are at the employee's discretion, subject to a \$10 monthly minimum for those who enroll.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - The Executive Budget includes increases of 0.15 FTE and personal services of \$12,253 in fiscal 1996 and \$12,697 in fiscal 1997. These increases are primarily the result of: a) FTE adjustment among programs within CHE; b) continuation of the fiscal 1995 pay plan; and c) vacancy savings experienced in fiscal 1994.

2) Fixed Costs - Fixed costs increase by \$2,783 in fiscal 1996 and \$2,889 in fiscal 1997 because of increases in warrant writing, payroll services, computer fees, and messenger services.

3) Inflation - Inflationary increases of \$12,266 in fiscal 1996 and \$19,882 in fiscal 1997 result primarily from net increases in laboratory testing and medical services.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	0.15	\$12,253	0.15	\$12,697
2 Inflation/Deflation		12,266		19,882
3 Fixed Costs		2,783		2,889
<i>Other Executive Present Law Adjustments</i>				
4 Consulting and Professional Services		\$24,586		\$24,586
5 Equipment		(1,474)		(1,474)
6 Benefits		1,822,235		2,584,071
<i>Total Executive Present Law Adjustments</i>	0.15	\$1,872,649	0.15	\$2,642,651

4) Consulting and Professional Services - The Executive Budget includes a \$24,586 increase each year for consulting and professional services, which is a 2.5 percent increase from the fiscal 1994 base.

5) Equipment - The equipment budget of \$1,200 each year for replacement of office equipment is a reduction of \$1,474 from the fiscal 1994 base.

6) Benefits - The Executive Budget includes increases of: a) \$1.4 million in fiscal 1996 and \$2.2 million in fiscal 1997 for insurance payments from the group insurance account; and b) \$0.5 million each year from the flexible spending account.

COMMISSIONER OF HIGHER ED
Program Summary**TALENT SEARCH**

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	10.95	0.00	0.00	10.95	0.00	0.00	10.95	10.95
Personal Services	352,100	(13,276)	0	338,824	(12,763)	0	339,337	678,161
Operating Expenses	111,508	322	75,421	187,251	624	75,492	187,624	374,875
Equipment	2,126	(2,126)	0	0	(2,126)	0	0	0
Total Costs	\$465,734	(\$15,080)	\$75,421	\$526,075	(\$14,265)	\$75,492	\$526,961	\$1,053,036
Fund Sources								
General Fund	87,438	0	0	87,438	0	0	87,438	174,876
Federal Special	378,296	(15,080)	75,421	438,637	(14,265)	75,492	439,523	878,160
Total Funds	\$465,734	(\$15,080)	\$75,421	\$526,075	(\$14,265)	\$75,492	\$526,961	\$1,053,036

Program Description

Talent Search is a federally funded program to provide career and financial aid counseling to students who are either low-income, physically handicapped, or culturally deprived. The program's objectives are to decrease the high school dropout rate in targeted high schools and to increase enrollment of disadvantaged students in Montana's postsecondary institutions.

Funding

The Talent Search program includes general fund for an American Indian/Minority Achievement function, begun by the 1991 legislature, and federal talent search funds. The Executive Budget includes an increase for additional grant funds to expand the services of the program. However, there is no certainty that funds will be received. The Executive Budget recommends that language be added to the appropriations act requiring that increased administrative costs allowable as a result of additional federal funds be used to offset general fund if the federal funds are received.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

1) Personal Services - Personal services decrease by \$13,276 in fiscal 1996 and \$12,763 in fiscal 1997 because actual fiscal 1994 salaries were higher than those budgeted for fiscal 1995 and continued in the 1997 biennium. The resulting decreases of \$16,143 in fiscal 1996 and \$15,699 in fiscal 1997 are offset by approximately \$3,000 in additional benefits, reflecting continuation of the pay plan. While the overall fiscal 1994 expenditures were within the budget, average salaries were almost \$2,000 higher than budgeted.

2) Fixed Costs and Inflation - Operating expenses increase by \$322 in fiscal 1996 and \$624 in fiscal 1997 because of net increases in inflation and decreases in fixed costs.

3) Equipment - No equipment is budgeted for this program in the 1997 biennium.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$13,276)		(\$12,763)
2 Inflation/Deflation & Fixed Costs		322		624
<i>Other Executive Present Law Adjustments</i>				
3 Equipment		(\$2,126)		(\$2,126)
<i>Total Executive Present Law Adjustments</i>	0.00	(\$15,080)	0.00	(\$14,265)

Executive New Proposals

1) Expand the Talent Search Program - The Executive Budget includes \$75,421 in fiscal 1996 and \$75,492 in fiscal 1997 for increased operating costs in the Talent Search Program. The program expended total federal funds of \$378,291 in fiscal 1994 and it received a grant of \$389,570 in fiscal 1995, an increase of 3.0 percent. The present law budget includes approximately \$364,000 each year of the biennium, approximately \$26,000 less than the fiscal 1995 grant award.

LFA Issue - Including the \$26,000 additional grant award in the new proposal, plus 3.0 percent for increases, would yield new proposal amounts of \$38,041 in fiscal 1996 and \$37,578 in fiscal 1997. The federal funds would have to increase by 12.6 percent to fully fund the entire new proposal. The program director is seeking the additional funds, but there is no certainty that they will be received.

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Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996 General Fund	Total Funds	FTE	Fiscal 1997 General Fund	Total Funds
1 Additional Grant Money			\$75,421			\$75,492
Totals			\$75,421			\$75,492

COMMISSIONER OF HIGHER ED
Program Summary**C.D. PERKINS ADMIN**

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	3.20	0.00	(0.20)	3.00	0.00	(0.20)	3.00	3.00
Personal Services	124,166	(2,342)	(16,988)	104,836	(2,207)	(17,027)	104,932	209,768
Operating Expenses	46,097	2,501	0	48,598	3,404	0	49,501	98,099
Grants	1,935,729	169,360	0	2,105,089	237,353	0	2,173,082	4,278,171
Transfers	2,988,750	595,590	0	3,584,340	711,362	0	3,700,112	7,284,452
Total Costs	\$5,094,742	\$765,109	(\$16,988)	\$5,842,863	\$949,912	(\$17,027)	\$6,027,627	\$11,870,490
Fund Sources								
General Fund	79,290	710	0	80,000	710	0	80,000	160,000
Federal Special	5,015,452	764,399	(16,988)	5,762,863	949,202	(17,027)	5,947,627	11,710,490
Total Funds	\$5,094,742	\$765,109	(\$16,988)	\$5,842,863	\$949,912	(\$17,027)	\$6,027,627	\$11,870,490

Program Description

The Board of Regents is designated as the sole state agency for Carl D. Perkins Vocational Education Act funds, which support vocational education at the secondary and postsecondary level. Administration of these funds includes provision of technical assistance to the field, grants management, performance reviews, filing of an annual performance report, and the development and submission of a state plan for the use of the funds. The Board of Regents is required by state statute to contract with the Office of Public Instruction for provision of technical assistance and grants management for secondary level grant subrecipients.

Funding

This program is funded with a combination of \$80,000 federal Carl Perkins administration funds and the required 50 percent general fund match of \$80,000 each year. Of the total administration funds, \$60,000 must be expended for gender equity activities. Grants to the postsecondary institutions and transfers to OPI for secondary institutions grants are funded entirely with Carl Perkins funds.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - Personal services decrease because the fiscal 1994 base expenditures for benefits and payouts were higher than budgeted, although the overall expenditures were within the budget. Personal services for the 1997 biennium are at the fiscal 1995 level, including continuation of the pay plan.
- 2) Operating Expenses - Operating expenses increase by \$2,501 in fiscal 1996 and \$3,404 in fiscal 1997 because of net increases in inflation and fixed costs and decreases in other services.
- 3) Grants and Transfers - Federal Carl Perkins grants are awarded to CHE as the lead agency for the state of Montana. CHE retains a portion of the funds for administration and grants to postsecondary institutions and transfers 63 percent of the funds to OPI for that agency's administration and grants to secondary schools. Administration of the grants in both agencies is accomplished through a 50/50 general fund/federal funds match. In

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$2,342)		(\$2,207)
2 Inflation/Deflation & Fixed Costs		2,501		3,404
<i>Other Executive Present Law Adjustments</i>				
3 Grants & Transfers		\$764,950		\$948,715
<i>Total Executive Present Law Adjustments</i>	<u>0.00</u>	<u>\$765,109</u>	<u>0.00</u>	<u>\$949,912</u>
<i>LFA Issues With Executive PL Adjustments</i>				
3 Grants & Transfers				

CHE, the general fund and federal funds for administration total \$160,000. Grants, which are the remaining funds retained by CHE for use in vocational education at the postsecondary level, increase by \$169,360 in fiscal 1996 and \$237,353 in fiscal 1997 due to an anticipated federal increase. Transfers to OPI, which include \$170,000 for administration, increase by \$595,590 in fiscal 1996 and \$711,362 in fiscal 1997.

LFA Issue - The agency received Carl Perkins funds of \$5.0 million in fiscal 1994 and \$5.1 million in fiscal 1995. The award notification for fiscal 1996 funds will not be received until approximately November 1995. In addition, examination of fund balance records indicates that the agency had a \$901 fund balance at the end of fiscal 1994. While it does not appear that the funds are being reduced, neither does it appear that the agency will have enough carry-over funds or increased revenue to budget \$6.0 million each year, which is a 19 percent increase during the 1997 biennium. The legislature may wish to reduce the spending authority available to CHE unless firm updated documentation indicates that the executive increases are warranted.

5102 08 00000						
Executive Budget New Proposals						
New Proposal	Fiscal 1996			Fiscal 1997		
	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Personal Services Reductions	(0.20)		(\$16,988)	(0.20)		(\$17,027)
Totals	(0.20)		(\$16,988)	(0.20)		(\$17,027)

Executive New Proposals

1) Personal Services Reduction - The Executive Budget: a) eliminates a 0.20 FTE that had been vacant since December 1993; and b) reduces personal services by \$16,988 in fiscal 1996 and \$17,027 in fiscal 1997.

COMMISSIONER OF HIGHER ED
Program Summary**GUARANTEED STUDENT LOAN PGM**

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	49.45	2.75	(9.00)	43.20	2.75	(9.00)	43.20	43.20
Personal Services	1,098,480	297,469	(210,822)	1,185,127	303,432	(211,538)	1,190,374	2,375,501
Operating Expenses	1,950,480	89,057	0	2,039,537	168,665	0	2,119,145	4,158,682
Equipment	31,806	14	0	31,820	(4,986)	0	26,820	58,640
Total Costs	\$3,080,766	\$386,540	(\$210,822)	\$3,256,484	\$467,111	(\$211,538)	\$3,336,339	\$6,592,823
Fund Sources								
Federal Special	3,080,766	386,540	(210,822)	3,256,484	467,111	(211,538)	3,336,339	6,592,823
Total Funds	\$3,080,766	\$386,540	(\$210,822)	\$3,256,484	\$467,111	(\$211,538)	\$3,336,339	\$6,592,823

Program Description

The 1979 legislature authorized the Guaranteed Student Loan Program (GSLP), placing it under the supervision of the Board of Regents. GSLP initially contracted with United Student Aid Funds in Indianapolis to process loan applications, maintain records on student borrowers, warehouse records, and perform all other necessary functions. In 1987, the Board of Regents approved a plan to have GSLP perform these duties in Montana. All functions have been performed in Helena since March 1990.

Funding

The program is funded entirely with federal funds. The sources of these funds are: 1) an administrative cost allowance, which is 1 percent of the total loans guaranteed; 2) guarantee fees, which total 3 percent of the total loan principal for each borrower; 3) investment earnings on the fund balance; 4) a portion of collections on defaulted loans; and 5) other miscellaneous funding sources such as pre-claims assistance allocations.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The guaranteed student loan program is being reduced because direct federal student loans are replacing the guaranteed student loan program. As a result, personal services and most operating expenses are being reduced sharply. However, as detailed below, CHE anticipates that collection expenses and bad debts will increase for loans already issued.

1) Personal Services - Personal services increase by \$297,469 in fiscal 1996 and \$303,432 in fiscal 1997, primarily due to the net of: a) a \$57,000 increase because the 1997 biennium budget maintains the fiscal 1995 FTE level, which is 2.75 FTE higher than that authorized in fiscal 1994; b) vacancy savings of approximately \$275,000 in fiscal 1994 resulting when planned hirings were curtailed due to a reduction in loans and associated service fees; c) a \$15,000 increase for continuation of the pay plan; and d) a \$47,000 reduction for fiscal 1994 payouts not budgeted in the 1997 biennium. The executive includes a new proposal to eliminate 9.0 FTE. For a further discussion, see the "Executive New Proposals" section.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	2.75	\$297,469	2.75	\$303,432
2 Inflation/Deflation		1,257		1,638
3 Fixed Costs		(114,030)		(130,314)
<i>Other Executive Present Law Adjustments</i>				
4 Consulting Services		(\$78,126)		(\$170,706)
5 Rent		\$36,996		\$35,740
6 Maintenance		(2,796)		(2,796)
7 Debts		75,000		160,000
8 Collection Expenses		170,756		275,103
9 Equipment		14		(4,986)
<i>Total Executive Present Law Adjustments</i>	<i>2.75</i>	<i>\$386,540</i>	<i>2.75</i>	<i>\$467,111</i>

2) Inflation & 3) Fixed Costs - The Executive Budget includes: a) net inflationary increases of \$1,257 in fiscal 1996 and \$1,638 in fiscal 1997; and b) a net fixed costs reduction of \$114,030 in fiscal 1996 and \$130,314 in fiscal 1997, primarily in insurance.

4-8) Operating Expenses - Other changes in operating expenses are: a) reductions of approximately \$78,000 in fiscal 1996 and \$171,000 in fiscal 1997 in consulting services; b) increases in rent of \$36,996 in fiscal 1996 and \$35,740 in fiscal 1997; c) a reduction of \$2,796 each year in maintenance contracts; d) increases of \$75,000 in fiscal 1996 and \$160,000 in fiscal 1997 for bad debts; and e) increases of \$170,756 in fiscal 1996 and \$275,103 in fiscal 1997 for collection expenses.

9) Equipment - Equipment includes office and computer equipment and decreases by \$5,000 in the 1997 biennium.

5102 12 00000

Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions	(9.00)		(\$210,822)	(9.00)		(\$211,538)
Totals	(9.00)		(\$210,822)	(9.00)		(\$211,538)

Executive New Proposals

1) Personal Services Reduction - The Executive Budget: a) eliminates 9.0 FTE that had either never been filled or that were vacant as of January 1994; and b) reduces personal services by \$210,822 in fiscal 1996 and \$211,583 in fiscal 1997. These FTE are eliminated due to the phasing out of this program resulting from institution of direct lending.

LFA Issue - The executive includes this reduction in total funds available for funding the pay plan. However, the executive cannot use funds that are not anticipated to be generated. Fees generated during the 1995 biennium were not sufficient to fill 7.0 FTE positions being eliminated by this proposal.

5102 13 00000								
COMMISSIONER OF HIGHER ED				BOARD OF REGENTS-ADMIN				
Program Summary								
	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	8,250	0	1,242,221	1,250,471	0	2,687,124	2,695,374	3,945,845
Operating Expenses	24,802	40	650,000	674,842	70	840,000	864,872	1,539,714
Equipment	0	0	744,738	744,738	0	956,460	956,460	1,701,198
Transfers	0	0	4,373,796	4,373,796	0	5,935,167	5,935,167	10,308,963
Total Costs	\$33,052	\$40	\$7,010,755	\$7,043,847	\$70	\$10,418,751	\$10,451,873	\$17,495,720
Fund Sources								
General Fund	33,052	40	1,394,738	1,427,830	70	1,796,460	1,829,582	3,257,412
State/Other Special	0	0	5,616,017	5,616,017	0	8,622,291	8,622,291	14,238,308
Total Funds	\$33,052	\$40	\$7,010,755	\$7,043,847	\$70	\$10,418,751	\$10,451,873	\$17,495,720

Program Description

Article X, Section 9 of the Montana constitution places the government and control of the Montana University System in the Board of Regents of higher education, which has full power, responsibility, and authority to supervise, coordinate, manage, and control that system. In addition, the board supervises and coordinates other public educational institutions assigned by law.

Funding

This program is entirely funded with general fund.

Executive New Proposals

The Executive Budget includes three new proposals in the Board of Regents budget with the intention of allowing the Regents to distribute the lump sum appropriated funds to the units. These proposals are: 1) a "quality pool" generated by management of non-resident enrollment; 2) a "system needs" proposal of general fund for various needs throughout the system; and 3) additional tuition for the University Teachers Union (UTU) agreement at UM-Missoula.

5102 13 00000							
Executive Budget New Proposals							
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997		
		General Fund	Total Funds		General Fund	Total Funds	
1 Quality Pool	0.00	\$0	\$4,373,796	0.00	\$0	\$5,935,167	
2 System Needs	0.00	1,394,738	1,394,738	0.00	1,796,460	1,796,460	
3 UM UTU Add'tl Tuition Agreement	0.00	0	1,242,221	0.00	0	2,687,124	
Totals	0.00	\$1,394,738	\$7,010,755	0.00	\$1,796,460	\$10,418,751	

1) Quality Pool - The Executive Budget includes additional non-resident tuition of \$4.4 million and \$5.9 million in fiscal 1996 and 1997, respectively. This revenue will be generated primarily by increased numbers of non-resident students and the conversion of Western University Exchange (WUE) students to full non-resident status.

WUE students are those non-residents who attend a unit of the MUS at a reduced tuition rate. WUE students pay 150 percent of resident tuition (or \$2,322 annually), rather than the non-resident cost of \$6,312 annually for 14-18 credits per semester. The MUS had 2,113 WUE students enrolled in fiscal 1994. Under directive from the Board of Regents, the MUS is reducing the number of WUE students enrolled (current WUE students retain that status and will pay the reduced cost). The executive assumes that the same number of students who would have enrolled as WUE students will enroll as non-residents and pay the higher cost.

As shown in Table 7, the WUE enrollment decreases from a fiscal 1994 budgeted level of 2,113 to 665 in fiscal 1997, while non-resident enrollment increases from 3,411 to 5,113 in the same period.

Table 7
WUE and Non-Resident Students
Fiscal 1994 Budget & Fiscal 1996 & 1997 Estimated

Unit	---- WUE ----			--- Non-Resident ---			Difference from FY94	
	FY 1994	FY 1996	FY 1997	FY 1994	FY 1996	FY 1997	FY 1996	FY 1997
University								
UM-Missoula	675	320	217	1,864	2,660	2,806	441	484
MSU-Bozeman	1,138	600	312	1,188	1,491	1,671	(235)	(343)
UM-MT Tech	101	60	32	175	236	267	20	23
MSU Billings	132	80	62	84	139	166	3	12
MSU-Northern	9	18	18	70	89	107	28	46
UM-Western	58	40	24	30	50	96	2	32
Subtotal	2,113	1,118	665	3,411	4,665	5,113	259	254
College of Technology								
Billings				12	13	14	1	2
Butte				7	13	15	6	8
Great Falls				4	2		(2)	(4)
Helena				13	20	25	7	12
Missoula	0	0	0	16	31	36	15	20
Total	2,113	1,118	665	3,463	4,744	5,203	286	292

The increased funds would be allocated by the Board of Regents to enhance programs on the campuses. As calculated by OBPP, increased revenue of: a) \$3.6 million in fiscal 1996 and \$4.1 million in fiscal 1997 would be generated at UM-Missoula; b) \$0.3 million in fiscal 1996 and \$0.7 million in fiscal 1997 would be generated at MSU-Bozeman; and c) \$0.5 million in fiscal 1996 and \$1.1 million in fiscal 1997 would be generated by the other university units and the colleges of technology. According to the executive, since UM-Missoula would contribute over 80 percent of those funds, it would receive a large share of the funds for quality enhancement.

This adjustment is the only adjustment in the Executive Budget for the anticipated increase in total WUE and non-resident students. However, the executive includes additional funds for anticipated resident enrollment increases at the six units in its present law adjustments.

The legislature may wish to note, however, that additional revenue generated through replacement of WUE students with nonresident students would not increase costs to the units, as no additional students in total would be enrolled. The option for the legislature is to either appropriate the increased revenue from replacement of WUE students, or offset general fund by the additional revenue anticipated.

2) System Needs - The Executive Budget includes general fund of \$1.4 million in fiscal 1996 and \$1.8 million in fiscal 1997 to provide for campus needs in excess of the present law base budget. As shown in Table 8, the funds under the control of the Board of Regents include funding for: a) Summit Net, a computer network; b) building and grounds maintenance; c) additional library books; d) equipment; and e) occupational health and hazardous materials handling. The latter category includes radiation detection equipment, gas analyzers, etc., as well as funding for hazardous waste disposal.

3) UTU Contract - UM is one of the university campuses with unionized faculty. In fiscal 1994, the UTU entered into discussion to construct an agreement whereby faculty salaries would be increased, while at the same time providing for increases in productivity and quality. The UTU agreement at UM-Missoula envisions using up to a 6.5 percent increase in tuition rates to generate \$1.2 million in fiscal 1996 and \$2.7 million in fiscal 1997 to pay for quality program improvements, including: a) increased library acquisitions and equipment; b) generally guaranteed graduation in four years; c) increased productivity resulting in reduced administration; and d) increases in instructor salaries above the general pay plan amounts. The executive does not assume any other campuses will come to similar agreements with their faculty.

LFA Issue - The UTU agreement is funded with a 6.5 percent increase in tuition charges. To the extent that tuition charges are not increased, the costs of the UTU contract will have to be funded by the tuition provided in the "quality pool" new proposal.

Table 8 System Needs in Addition to the Base Budget Fiscal 1996 and 1997		
Item	Fiscal 1996	Fiscal 1997
Summit Net	\$175,000	\$175,000
Building & Grounds Maintenance	300,000	490,000
Library Books	199,738	411,460
Equipment	545,000	545,000
Occupational Health & Hazardous Materials Handling	175,000	175,000
Totals	\$1,394,738	\$1,796,460

COMMISSIONER OF HIGHER ED
Program Summary**B OF R BOND PAYMENTS**

Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service	216,995	(110,927)	0	106,068	(116,390)	0	100,605	206,673
Total Costs	\$216,995	(\$110,927)	\$0	\$106,068	(\$116,390)	\$0	\$100,605	\$206,673
Fund Sources								
General Fund	216,995	(110,927)	0	106,068	(116,390)	0	100,605	206,673
Total Funds	\$216,995	(\$110,927)	\$0	\$106,068	(\$116,390)	\$0	\$100,605	\$206,673

Program Description

The Board of Regents is authorized in section 20-16-108, MCA, to lease or purchase any building, land, and/or property at a vocational-technical center (now a College of Technology) from the respective school districts. The board acquired the facilities in Helena and Missoula and entered into contracts with the school districts in Billings and Butte to retire the districts' bonded indebtedness. This program contains the bond payments to the Billings school district. Indebtedness on the College of Technology in Butte has been assumed by the state beginning in the 1995 biennium and payments are made through the Department of Administration. The bonds for the College of Technology in Great Falls were retired in fiscal 1995.

Funding

This program is funded entirely with general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Other Executive Present Law Adjustments</i>				
1 Debt Service		(\$110,927)		(\$116,390)
<i>Total Executive Present Law Adjustments</i>	0.00	(\$110,927)	0.00	(\$116,390)

1) Debt Service - Bond payments will decrease by over 50 percent to \$106,068 in fiscal 1996 and \$100,605 in fiscal 1997 because the final payments for the College of Technology in Great Falls were made in fiscal 1995. The only payments required for the 1997 biennium are the debt service payments for the College of Technology in Billings. Final payment on the remaining bonds is scheduled for January 1, 1999.

3599 00 00000								
COLLEGES OF TECHNOLOGY								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	244.62	0.00	244.62	244.62	0.00	244.62	250.37	244.62
Personal Services	10,841,597	(93,059)	10,748,538	11,604,618	(92,148)	11,512,470	18,163,232	22,261,008
Operating Expenses	2,151,852	0	2,151,852	2,030,590	0	2,030,590	4,634,454	4,182,442
Equipment	139,582	0	139,582	139,582	0	139,582	425,527	279,164
Grants	4,449	0	4,449	4,449	0	4,449	6,749	8,898
Benefits and Claims	0	0	0	0	0	0	7,500	0
Debt Service	29,564	0	29,564	29,564	0	29,564	47,535	59,128
Total Costs	\$13,167,044	(\$93,059)	\$13,073,985	\$13,808,803	(\$92,148)	\$13,716,655	\$23,284,997	\$26,790,640
Fund Sources								
General Fund	0	8,169,796	8,169,796	0	8,423,589	8,423,589	0	16,593,385
State/Other Special	0	4,904,189	4,904,189	0	5,293,066	5,293,066	0	10,197,255
Current Unrestrict.	13,167,044	(13,167,044)	0	13,808,803	(13,808,803)	0	23,284,997	0
Total Funds	\$13,167,044	(\$93,059)	\$13,073,985	\$13,808,803	(\$92,148)	\$13,716,655	\$23,284,997	\$26,790,640

System Description

Montana's five colleges of technology in Billings, Butte, Great Falls, Helena and Missoula collectively serve over 2,000 students. In fiscal 1990, total costs of operating the schools were assumed by the state of Montana under the direction of the Board of Regents. Staff at the five schools became employees of the state, rather than employees of the local school districts. The primary role of vocational technical education is to provide individuals preparing to enter, advance, or change their careers with vocational and technical competencies and life skills. Training is offered in a variety of disciplines in the major areas of agriculture, health and nursing, office, marketing, home economics, and trade and technical. The schools award certificates of completion and, with the approval of the Board of Regents, award the Associate of Applied Science degree for appropriate programs.

3599 00 00000								
COLLEGES OF TECHNOLOGY								
Agency Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	245.05	(0.43)	0.00	244.62	(0.43)	0.00	244.62	244.62
Personal Services	9,687,551	1,154,046	(93,059)	10,748,538	1,917,067	(92,148)	11,512,470	22,261,008
Operating Expenses	2,019,526	132,326	0	2,151,852	11,064	0	2,030,590	4,182,442
Equipment	139,583	(1)	0	139,582	(1)	0	139,582	279,164
Grants	4,449	0	0	4,449	0	0	4,449	8,898
Benefits and Claims	7,500	(7,500)	0	0	(7,500)	0	0	0
Debt Service	29,564	0	0	29,564	0	0	29,564	59,128
Total Costs	\$11,888,173	\$1,278,871	(\$93,059)	\$13,073,985	\$1,920,630	(\$92,148)	\$13,716,655	\$26,790,640
Fund Sources								
General Fund	0	0	8,169,796	8,169,796	0	8,423,589	8,423,589	16,593,385
State/Other Special	0	0	4,904,189	4,904,189	0	5,293,066	5,293,066	10,197,255
Current Unrestrict.	11,888,173	1,278,871	(13,167,044)	0	1,920,630	(13,808,803)	0	0
Total Funds	\$11,888,173	\$1,278,871	(\$93,059)	\$13,073,985	\$1,920,630	(\$92,148)	\$13,716,655	\$26,790,640

Funding

The colleges of technology receive current unrestricted funding derived from four sources: 1) general fund; 2) local county mill levies; 3) tuition and fees; and 4) other income. The Executive Budget provides funding for each college as shown in Table 2.

Table 2
Executive Budget Funding - Colleges of Technology
Fiscal 1994 Actual Base Compared to Fiscal 1996 and 1997

Fund	System Total	Billings	Butte	Great Falls	Helena*	Missoula
Fiscal 1994						\$0
General Fund	\$8,288,436	\$1,353,293	\$1,258,864	\$1,705,789	\$1,931,604	\$2,038,886
County Millage	892,000	327,741	81,383	156,776	114,499	211,601
Tuition & Fees	2,741,412	463,569	348,780	666,787	576,756	685,520
Other	13,991	10,411	0	3,509	12,265	(12,194)
Total	\$11,935,839	\$2,155,014	\$1,689,027	\$2,532,861	\$2,635,124	\$2,923,813
Fiscal 1996						
General Fund	\$8,169,796	\$1,284,333	\$1,156,843	\$1,727,717	\$1,810,586	\$2,190,317
County Millage	926,160	340,391	84,388	162,729	118,844	219,808
Tuition & Fees	3,908,788	622,651	542,618	1,048,414	781,980	913,125
Other	69,241	10,411	9,823	18,223	15,596	15,188
Total	\$13,073,985	\$2,257,786	\$1,793,672	\$2,957,083	\$2,727,006	\$3,338,438
Fiscal 1997						
General Fund	\$8,423,589	\$1,298,639	\$1,174,302	\$1,793,535	\$1,889,418	\$2,267,695
County Millage	944,682	347,199	86,075	165,983	121,221	224,204
Tuition & Fees	4,279,143	651,274	593,785	1,156,053	880,079	997,952
Other	69,241	10,411	9,823	18,223	15,596	15,188
Total	\$13,716,655	\$2,307,523	\$1,863,985	\$3,133,794	\$2,906,314	\$3,505,039

* Fiscal 1994 tuition includes a contingency fund allocation of \$49,594

General Fund - The general fund provides 56 to 66 percent of the total current unrestricted funding in fiscal 1996, depending on other revenue available at each college, down from 63 to 75 percent in fiscal 1994. The remainder of the funds available to the technical colleges are detailed below.

Local County Mill Levies - Section 20-16-202, MCA, requires the county commissioners of each county in which a college of technology is located to levy an annual tax of 1.5 mills on all taxable property within the county for support and maintenance of the vocational technical center system. The Executive Budget includes \$926,160 in fiscal 1996 and \$944,682 in fiscal 1997 from this revenue source, compared to \$892,000 in fiscal 1994, for an increase of less than 6.0 percent during the biennium.

LFA Issue - The executive estimates of local mill levy revenue for the colleges of technology are less than ROC estimates by \$63,840 in fiscal 1996 and \$79,318 in fiscal 1997. The legislature may wish to increase mill levy revenue and decrease general fund by those amounts.

Tuition and Fees - The tuition and registration fee estimates increase by 36.4 percent in fiscal 1996 and 49.3 percent in fiscal 1997 from the fiscal 1994 level, due to: 1) increasing tuition rates; 2) increasing numbers of students; and 3) a changing mix of resident/non-resident students. As a percentage of total funding, tuition increases from 23.6 percent of total funding in fiscal 1994 to 31.2 percent of total funding in fiscal 1997.

As shown in Table 3, tuition for individual resident students increased by over 6.0 percent from fiscal 1993 to fiscal 1994, and by nearly 15.0 percent from fiscal 1994 to fiscal 1995. The Executive Budget continues the approximate average fiscal 1995 tuition (incidental fees) level in the 1997 biennium, but average individual resident tuition varies from \$1,235 at Billings to \$1,349 at Great Falls.

Table 3
Vocational Technical Centers Fee Increases
Annual Costs for Full-Time Students - 14-18 Credits

Fees	Fiscal 1993	Fiscal 1994	Fiscal 1995	FY 93-94 Change		FY 94-95 Change	
				\$ Increase	% Increase	\$ Increase	% Increase
Resident							
Incidental Fees	\$1,078	1,148	\$1,316	\$70	6.49%	\$168	14.63%
Registration Fees	40	40	40	0	0.00%	0	0.00%
Total Resident	\$1,118	\$1,188	\$1,356	\$70	6.26%	\$168	14.14%
Non-Resident Addition	1,344	1,428	1,645	84	6.25%	217	15.20%
Total Non-Resident	\$2,462	\$2,616	\$3,001	\$154	6.26%	\$385	14.72%

Other Funds - Other income consists of federal administrative allowances for student aid programs and miscellaneous fees and charges. The Executive Budget includes other income at increased levels compared to: 1) fiscal 1994 actual levels, as shown in Table 2; or 2) fiscal 1995 budgeted levels in the university system approved budget document.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The table above shows the executive present law adjustments for personal services, inflation/deflation, fixed costs, enrollment, and other items. The adjustments are shown in this way because the executive used an incremental budget method (discussed in more detail in the MUS narrative), and all categories of expenditures were adjusted. However, the legislature typically appropriates by program and/or unit rather than by expenditure category. In the 1993 and 1995 biennium the legislature provided a lump sum appropriation by unit, with allocations by program left to the Board of Regents. The executive recommends a lump sum appropriation for the colleges as a whole in the 1997 biennium, with allocation to colleges and programs by the Board of Regents.

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		(\$167,707)		(\$159,428)
2 Inflation/Deflation		50,148		75,495
3 Fixed Costs		85,594		(61,015)
<i>Other Executive Present Law Adjustments</i>				
4 Enrollment Adjustments		\$1,321,753		\$2,076,495
5 Other Adjustments		(10,917)		(10,917)
<i>Total Executive Present Law Adjustments</i>	0.00	\$1,278,871	0.00	\$1,920,630
<i>Other LFA Present Law Issues</i>				
* Budget Methodology				
* Enrollment				

Table 4 below displays the total miscellaneous adjustments and the enrollment adjustments by college in the center section of the table. Table 6, following the "Executive New Proposals" section, shows total funding by college.

- 1) Personal Services - Personal services reductions of \$167,707 in fiscal 1996 and \$159,428 in fiscal 1997 result from removing one-time expenditures for early retirements and annualization of the pay plan.
- 2) Inflation and 3) Fixed Costs - The budgets include net inflation and fixed costs of \$135,742 in fiscal 1996 and \$14,480 in fiscal 1997. The difference between fiscal 1996 and fiscal 1997 is primarily the result of biennial audit costs in fiscal 1996.
- 4) Enrollment Adjustments - Adjustments for enrollment increases (shown in the Executive Budget as personal services) total \$1,321,753 in fiscal 1996 and \$2,076,495 in fiscal 1997, as shown by college in the fourth and fifth columns of Table 4. The Executive Budget calculated these adjustments by: a) multiplying the incremental increases in the resident enrollment estimates, shown in the top section of Table 4, by fiscal 1994 adjusted average personal services costs in instruction and student services; and b) adding fee waiver increases to reflect increased tuition. As shown in the bottom section of Table 4, this method of calculating cost increases at the margin results in: a) a direct addition of over \$2,800 for each new resident student; and b) a reduction in the total cost per student from \$5,107 in fiscal 1994 to \$4,716 in fiscal 1996 and \$4,514 in fiscal 1997, when miscellaneous adjustments are included in the total. The executive includes a marginal cost adjustment for resident students only. For a further discussion, see the "Overview" section.
- 5) Other Adjustments - Other adjustments are reductions of \$10,917 each year, primarily in benefits and claims.

Table 4
Base Budget, Present Law Adjustments, and Total Executive Present Law
Fiscal 1996 and 1997

	# 1	# 2	# 3	# 4	# 5	# 6	# 7
	FY 1994	Non-resident Adj.		Resident Adj.		Total	
Vo-Tech	Budget FTE	Fiscal 1996	Fiscal 1997	Fiscal 1996	Fiscal 1997	Fiscal 1996	Fiscal 1997
Billings	407	1	2	63	85	471	494
Butte	312	6	8	85	123	403	443
Great Falls	557	(2)	(4)	160	234	715	787
Helena	521	7	12	22	92	550	625
Missoula	531	15	20	134	197	680	748
Total	2,328	27	38	464	731	2,819	3,097
	FY1994	Misc. Adjustments		Enrollment Adj.		Present Law	
Vo-Tech	Adj. Base	FY 1996	FY 1997	FY 1996	FY 1997	FY 1996	FY 1997
Billings	\$2,155,014	(\$79,170)	(\$98,269)	\$197,185	\$266,044	\$2,273,029	\$2,322,789
Butte	1,689,027	(90,302)	(117,731)	208,018	304,417	1,806,743	1,875,713
Great Falls	2,532,861	3,422	(19,805)	440,935	641,114	2,977,218	3,154,170
Helena	2,635,124	26,159	548	85,249	291,022	2,746,532	2,926,694
Missoula	2,876,147	97,009	79,392	390,366	573,898	3,363,522	3,529,437
Total	\$11,888,173	(\$42,882)	(\$155,865)	\$1,321,753	\$2,076,495	\$13,167,044	\$13,808,803
	FY 1994			FY 1996	FY 1997	FY 1996	FY 1997
Vo-Tech	\$/FTE			Adj. \$/FTE	Adj. \$/FTE	PL \$/FTE	PL \$/FTE
Billings	\$5,295			\$3,130	\$3,130	\$4,826	\$4,702
Butte	5,414			2,447	2,475	4,483	4,234
Great Falls	4,547			2,756	2,740	4,164	4,008
Helena	5,058			3,875	3,163	4,994	4,683
Missoula	5,416			2,913	2,913	4,946	4,718
Total	\$5,107			\$2,849	\$2,841	\$4,671	\$4,459

* Resident student FTE only

Other LFA Present Law Issues

Incremental Budget - The Executive Budget uses incremental budgeting for all programs, rather than using an enrollment-driven formula for instruction and support, as was done in the prior two biennia (see "Budget Methodology" in the "Overview" section). It then adjusts the budget for marginal increases in the number of students by assuming that: 1) marginal costs for additional students occur only in instruction and support costs; and 2) all other costs are

fixed, regardless of the number of students. The combination of incremental budgeting and marginal adjustments results in a reduction in average costs per student, as shown in Table 4.

Enrollment - As shown in Table 4, enrollment is anticipated to increase by 731 resident and 38 non-resident students in the 1997 biennium. This estimate is a 21.1 percent increase over budgeted fiscal 1994 FTE in fiscal 1996 and 33.0 percent in fiscal 1997. The anticipated enrollment in past biennia was based upon an average of the previous two years' actual enrollment. However, in the 1997 biennium the executive uses a projection of enrollment based upon enrollment management proposals of the MUS. Among other factors, these proposals assume the colleges of technology will absorb some of the increase in students that may have gone to the six university units in the past. For a further discussion, see the MUS narrative.

3599 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reduction			(\$93,059)			(\$92,148)
2 Funding		8,169,796			8,423,589	
Totals		\$8,169,796	(\$93,059)		\$8,423,589	(\$92,148)

Executive New Proposals

The Executive Budget applies personal services reductions of 2.5 percent to all budgets except instructional faculty to help cover pay plan costs. The executive calculation results in a reduction of approximately 1.0 percent of all personal services budgets. The executive calculates that this reduction will provide for approximately 30 percent of the estimated pay plan costs. Table 5 shows the annual personal services reductions for each college.

The Executive Budget includes the colleges of technology in two of its new proposals to provide funds that may be allocated to the various units of the MUS by the Board of Regents. These two proposals, which are discussed fully in the Board of Regents section of the CHE analysis, are: 1) the Quality Pool, which budgets tuition revenue expected by the system as a result of management of non-resident student enrollment; and 2) System Needs, which is general fund that could be used throughout the MUS to provide for needs such as buildings and grounds maintenance, additional library books, and equipment.

Table 5 New Proposals Fiscal 1996 and 1997		
Unit	Personal Services Reductions	
	Fiscal 1996	Fiscal 1997
Billings	(\$15,243)	(\$15,266)
Butte	(13,071)	(11,728)
Great Falls	(20,135)	(20,376)
Helena	(19,526)	(20,380)
Missoula	(25,084)	(24,398)
Total	(\$93,059)	(\$92,148)

The funding shown in the table is a technical adjustment to show proper funding. It is not a new proposal.

Table 6 shows total funding by college in the Executive Budget in the 1997 biennium.

Table 6 Total Executive Budget by College 1997 Biennium								
Budget Item	Base Budget	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec Budget Fiscal 1997	Total Exec Budget Fiscal 96-97
Colleges of Technology								
Billings	\$2,155,014	\$118,015	(\$15,243)	\$2,257,786	\$167,775	(\$15,266)	\$2,307,523	\$4,565,309
Butte	1,689,027	117,716	(13,071)	1,793,672	186,686	(11,728)	1,863,985	3,657,657
Great Falls	2,532,861	444,357	(20,135)	2,957,083	621,309	(20,376)	3,133,794	6,090,877
Helena	2,635,124	111,408	(19,526)	2,727,006	291,570	(20,380)	2,906,314	5,633,320
Missoula	2,876,147	487,375	(25,084)	3,338,438	653,290	(24,398)	3,505,039	6,843,477
Total	\$11,888,173	\$1,278,871	(\$93,059)	\$13,073,985	\$1,920,630	(\$92,148)	\$13,716,655	\$26,790,640

5199 00 00000								
UNIVERSITIES								
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
Budget Item	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	3,256.95	0.00	3,256.95	3,261.36	0.00	3,261.36	2,886.01	3,261.36
Personal Services	119,509,950	(1,328,857)	118,181,093	121,044,888	(1,350,009)	119,694,879	226,957,294	237,875,972
Operating Expenses	30,355,083	0	30,355,083	30,557,297	0	30,557,297	58,060,133	60,912,380
Equipment	4,679,503	0	4,679,503	4,787,679	0	4,787,679	8,700,401	9,467,182
Capital Outlay	25,135	0	25,135	25,135	0	25,135	31,083	50,270
Transfers	126,463	0	126,463	126,463	0	126,463	133,890	252,926
Debt Service	66,451	0	66,451	66,451	0	66,451	202,071	132,902
Total Costs	\$154,762,585	(\$1,328,857)	\$153,433,728	\$156,607,913	(\$1,350,009)	\$155,257,904	\$294,084,873	\$308,691,632
Fund Sources								
General Fund	0	76,202,010	76,202,010	0	76,816,521	76,816,521	0	153,018,531
State/Other Special	149,686	77,082,032	77,231,718	149,686	78,291,697	78,441,383	0	155,673,101
Current Unrestrict.	154,612,899	(154,612,899)	0	156,458,227	(156,458,227)	0	294,084,873	0
Total Funds	\$154,762,585	(\$1,328,857)	\$153,433,728	\$156,607,913	(\$1,350,009)	\$155,257,904	\$294,084,873	\$308,691,632

System Description

The six university units of the Montana University System (MUS) are composed of Montana State University - Bozeman (MSU), the University of Montana - Missoula (UM), Montana State University - Billings (MSUB), Montana State University - Northern (MSUN) in Havre, Western Montana College of the University of Montana (WMCUM) in Dillon, and Montana Tech of the University of Montana (MTUM) in Butte. The system serves approximately 26,000 full-time equivalent (FTE) students annually. The system offers certificates and associate, baccalaureate, masters', and doctorate degrees in several different fields, including agriculture, architecture, business and management, communications, education, engineering and engineering technology, foreign languages, health services, law, letters, life sciences, mathematics, philosophy and religion, physical science, psychology, public affairs, social science, and visual and performing arts.

5199 00 00000								
UNIVERSITIES								
Agency Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
Budget Item	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	2,994.46	262.49	0.00	3,256.95	266.90	0.00	3,261.36	3,261.36
Personal Services	115,449,177	4,060,773	(1,328,857)	118,181,093	5,595,711	(1,350,009)	119,694,879	237,875,972
Operating Expenses	27,909,169	2,445,914	0	30,355,083	2,648,128	0	30,557,297	60,912,380
Equipment	4,429,536	249,967	0	4,679,503	358,143	0	4,787,679	9,467,182
Capital Outlay	31,083	(5,948)	0	25,135	(5,948)	0	25,135	50,270
Transfers	96,963	29,500	0	126,463	29,500	0	126,463	252,926
Debt Service	188,075	(121,624)	0	66,451	(121,624)	0	66,451	132,902
Total Costs	\$148,104,004	\$6,658,581	(\$1,328,857)	\$153,433,728	\$8,503,909	(\$1,350,009)	\$155,257,904	\$308,691,632
Fund Sources								
General Fund	0	0	76,202,010	76,202,010	0	76,816,521	76,816,521	153,018,531
State/Other Special	0	149,686	77,082,032	77,231,718	149,686	78,291,697	78,441,383	155,673,101
Current Unrestrict.	148,104,004	6,508,895	(154,612,899)	0	8,354,223	(156,458,227)	0	0
Total Funds	\$148,104,004	\$6,658,581	(\$1,328,857)	\$153,433,728	\$8,503,909	(\$1,350,009)	\$155,257,904	\$308,691,632

Funding

The six units of the university system receive current unrestricted funding from four sources: 1) general fund; 2) a statewide mill levy; 3) tuition and fees; and 4) other income. The Executive Budget provides funding for each unit as shown in Table 2.

Table 2 Executive Budget Funding - University Units Fiscal 1994 Actual Base Compared to Fiscal 1996 and 1997							
Fund	System Total	UM Missoula	MSU Bozeman	UM MT Tech	MSU Billings	MSU Northern	UM Western
Fiscal 1994							
General Fund	\$76,801,566	\$23,685,189	\$28,780,101	\$6,915,275	\$9,107,556	\$5,149,705	\$3,163,740
State Millage	16,956,631	6,088,873	6,094,652	1,057,622	2,015,711	1,074,319	625,454
Tuition & Fees	53,559,102	21,998,908	19,074,343	3,096,709	5,229,124	2,640,860	1,519,158
Other	786,705	169,641	406,986	89,102	61,666	36,344	22,966
Total	\$148,104,004	\$51,942,611	\$54,356,082	\$11,158,708	\$16,414,057	\$8,901,228	\$5,331,318
Fiscal 1996							
General Fund	\$76,202,010	\$22,831,572	\$28,913,803	\$7,038,191	\$8,980,006	\$5,219,354	\$3,219,084
State Millage	13,709,522	4,922,884	4,927,557	855,093	1,629,713	868,591	505,684
Tuition & Fees	62,753,703	24,326,311	23,238,547	3,662,194	6,182,463	3,254,549	2,089,639
Other	768,493	169,641	406,986	89,102	43,500	36,344	22,920
Total	\$153,433,728	\$52,250,408	\$57,486,893	\$11,644,580	\$16,835,682	\$9,378,838	\$5,837,327
Fiscal 1997							
General Fund	\$76,816,521	\$22,959,668	\$29,374,748	\$7,055,330	\$8,977,649	\$5,213,999	\$3,235,127
State Millage	14,094,523	5,061,132	5,065,936	879,106	1,675,480	892,984	519,885
Tuition & Fees	63,578,369	24,602,648	23,395,149	3,692,566	6,396,091	3,321,048	2,170,867
Other	768,493	169,641	406,986	89,102	43,500	36,344	22,920
Total	\$155,257,906	\$52,793,089	\$58,242,819	\$11,716,104	\$17,092,720	\$9,464,375	\$5,948,799

General Fund - The general fund provides 44 to 60 percent, by unit, of the total current unrestricted funding in fiscal 1996, down from 46 to 62 percent in fiscal 1994. The remainder of the funds available to the six units are detailed below.

Statewide 6 Mill Levy - In accordance with section 15-10-106, MCA, and voter approval every 10 years, a statewide six mill levy is applied to all property, and the proceeds are dedicated to the "support, maintenance, and improvement" of the MUS. The Executive Budget includes \$13.7 million in fiscal 1996 and \$14.1 million in fiscal 1997 from this revenue source. The decreases from fiscal 1994 are the result of a one-time, \$3.2 million appropriation of a fund balance in the state millage account, which occurred during the November 1993 Special Session.

LFA Issue: The executive estimates of statewide mill levy revenue for the university system are greater than ROC estimates by \$212,522 in fiscal 1996 and \$254,523 in fiscal 1997. The legislature may wish to either reduce total expenditures, or reduce mill levy revenue and increase general fund by those amounts for the university units.

Tuition and Fees - The tuition and registration fee revenue estimates increase by 17.2 percent in fiscal 1996 and 18.7 percent in fiscal 1997 from the fiscal 1994 level, due to: 1) increasing tuition rates; 2) increasing numbers of students; and 3) a changing mix of resident/non-resident students. As a percentage of total funding, tuition increases from 36.2 percent of total funding in fiscal 1994 to 41.0 percent of total funding in fiscal 1997.

As shown in Table 3, tuition (incidental fees) for individual resident students increased by 15.4 percent from fiscal 1994 to fiscal 1995. The Executive Budget continues the approximate average fiscal 1995 fees and tuition (including late fees, etc) in the 1997 biennium present law, but average individual resident tuition varies from \$1,508 at MSU - Bozeman to \$1,573 at UM-Western. In addition, a new proposal includes a 6.5 percent tuition increase at UM-Missoula to fund the University Teachers' Union (UTU) contract (see "Executive New Proposals" in the Board of Regents narrative).

Fees	Fiscal 1993	Fiscal 1994	Fiscal 1995	FY94-95 Change	
				\$ Increase	% Increase
Resident					
Incidental Fees	\$1,288	\$1,358	\$1,576	\$218	16.08%
Registration Fees	60	60	60	0	0.00%
Total Resident	\$1,348	\$1,418	\$1,636	\$218	15.40%
Non-Resident Addition	3,220	3,892	3,976	84	2.16%
Total Non-Resident	\$4,568	\$5,310	\$5,612	\$302	5.69%

Other Funds - Other revenue consists of federal administrative allowances for student aid programs and miscellaneous fees and charges. As shown in Table 2, the Executive Budget includes other income at the fiscal 1994 actual levels, except for a small decrease at MSU - Billings.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

The table above shows the executive present law adjustments for personal services, inflation/deflation, fixed costs, enrollment, and other items. The adjustments are shown in this way because the executive used an incremental budgeting method (discussed in more detail in the MUS narrative), and all categories of expenditure are adjusted. However, the legislature typically appropriates by unit and/or program, rather than by expenditure category. In the 1995 biennium, the legislature provided a lump sum appropriation by unit, with allocations by program left to the Board of Regents. The executive recommends a lump sum appropriation for the units as a whole in the 1997 biennium, with allocation to units and programs by the Board of Regents.

Table 4 below displays the total miscellaneous adjustments and the enrollment adjustments by unit in the center section of the table. Miscellaneous adjustments at MSU - Bozeman include a \$1.2 million adjustment made because the unit used budget amendment spending authority to displace legislative spending authority (which was removed from the base). The Executive Budget restores the base. Table 6, after the "Executive New Proposals" section, shows total funding by unit.

1) **Personal Services** - Personal services increases of \$2.1 million in fiscal 1996 and \$2.5 million in fiscal 1997 result primarily from annualization of the pay plan.

2) **Inflation & 3) Fixed Costs** - The budgets include net inflation and fixed costs of \$817,169 in fiscal 1996 and \$745,405 in fiscal 1997. Inflation is primarily on utilities. The difference between fiscal 1996 and fiscal 1997 is primarily the result of biennial audit costs in fiscal 1996.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
Statewide Present Law Adjustments				
1 Personal Services		\$2,143,627		\$2,460,933
2 Inflation/Deflation		488,383		733,940
3 Fixed Costs		328,786		11,465
Other Executive Present Law Adjustments				
4 Enrollment Adjustments		\$1,917,147		\$3,134,779
5 Other Adjustments		1,780,638		2,162,792
Total Executive Present Law Adjustments	0.00	\$6,658,581	0.00	\$8,503,909
Other LFA Present Law Issues				
* Budget Methodology				

4) Enrollment Adjustments - Adjustments for enrollment increases total \$1.9 million in fiscal 1996 and \$3.1 million in fiscal 1997. The increases are shown by unit in the fourth and fifth columns of Table 4. The Executive Budget calculated these adjustments by: a) multiplying the incremental increases in the resident enrollment estimates, shown in the top section of Table 4, by fiscal 1994 adjusted average personal services costs in instruction and student services; and b) adding fee waiver increases to reflect increased tuition. As shown in the bottom section of Table 4, this method of calculating cost increases at the margin results in: a) a direct addition of over \$4,204 in fiscal 1996 and \$3,697 in fiscal 1997 for each new student; and b) a slight increase in the total cost per student from \$5,468 in fiscal 1994 to \$5,567 in fiscal 1996 and \$5,556 in fiscal 1997 when miscellaneous adjustments are included in the total.

5) Other Adjustments - Other adjustments are increases of \$1.8 million in fiscal 1996 and \$2.2 million in fiscal 1997, including:

a) Operation and Maintenance (O&M) of New Buildings - The executive anticipates that both the new business building at UM-Missoula and the engineering and physical sciences building at MSU-Bozeman (approved by the 1991 legislature) will be in use for part of fiscal 1996. The executive includes moving and equipment expenses of \$66,116 and O&M costs of slightly over \$3 per square foot (15 percent less than the campus-wide average) or \$134,968 in fiscal 1996 and \$340,600 in fiscal 1997 for the business building.

The executive anticipates that O&M for the engineering building will be approximately \$5 per square foot (36 percent higher than the current MSU average cost) or \$317,223 in fiscal 1996 and \$569,435 in fiscal 1997.

b) Tuition Adjustment at UM-Missoula - The executive includes \$149,686 each year for unspecified operating expenses funded with additional law school "super tuition" (tuition over the campus level charged to students in specified programs). The additional expenditures are based on the fiscal 1995 tuition rates, which are greater than the fiscal 1994 rates.

Table 4
Base Budget, Present Law Adjustments, and Total Executive Present Law
Fiscal 1996 and 1997

Unit	Fiscal 1994 Budget FTE	Fiscal 1996 Non-Res. Adj.	Fiscal 1997 Non-Res. Adj.	Fiscal 1996 Resident Adj.	Fiscal 1997 Resident Adj.	Fiscal 1996 Total	Fiscal 1997 Total
UM-Missoula	9,602	441	484	(110)	(8)	9,933	10,078
MSU-Bozeman	9,946	(235)	(343)	140	223	9,851	9,826
UM-Mt Tech	1,728	20	23	57	75	1,805	1,826
MSU-Billings	3,240	3	12	70	174	3,313	3,426
MSU-Northern	1,602	28	46	149	187	1,779	1,835
UM-Western	969	2	32	150	197	1,121	1,198
Total	27,087	259	254	456	848	27,802	28,189

Unit	FY 1994 Adj. Actual	Misc. Adjustments FY 1996	Misc. Adjustments FY 1997	Enrollment Adjustments FY 1996	Enrollment Adjustments FY 1997	Present Law FY 1996	Present Law FY 1997
UM-Missoula	\$51,942,611	\$1,092,536	\$1,309,986	(\$293,492)	\$41,927	\$52,741,655	\$53,294,524 *
MSU-Bozeman	54,356,082	2,866,448	3,340,828	732,287	1,016,164	57,954,817	58,713,074 *
UM-Mt Tech	11,158,708	323,808	329,005	244,374	311,195	11,726,890	11,798,908 *
MSU-Billings	16,414,057	298,708	270,294	279,686	570,429	16,992,451	17,254,780 *
MSU-Northern	8,901,228	78,749	65,314	475,893	576,534	9,455,870	9,543,076 *
UM-Western	5,331,318	81,185	53,703	478,399	618,530	5,890,902	6,003,551 *
Total	\$148,104,004	\$4,741,434	\$5,369,130	\$1,917,147	\$3,134,779	\$154,762,585	\$156,607,913 *

Unit	Fiscal 1994 \$/FTE	Fiscal 1996 Adj. \$/FTE	Fiscal 1997 Adj. \$/FTE	Fiscal 1996 PL \$/FTE	Fiscal 1997 PL \$/FTE
UM-Missoula	\$5,410	\$2,668	(\$5,241)	\$5,310	\$5,288
MSU-Bozeman	5,465	5,231	4,557	5,883	5,975
UM-Mt Tech	6,458	4,287	4,149	6,497	6,462
MSU-Billings	5,066	3,996	3,278	5,129	5,036
MSU-Northern	5,556	3,194	3,083	5,315	5,201
UM-Western	5,502	3,189	3,140	5,255	5,011
Total	\$5,468	\$4,204	\$3,697	\$5,567	\$5,556

* Resident student FTE only

c) Miscellaneous Adjustments - Net increases in operating expenses of \$1.1 million in each fiscal year reflect increases in utilities, repair and maintenance, and other expenses, and decreases in consulting services, capital outlay, and debt service.

LFA Issue - The Executive Budget uses incremental budgeting for all programs, rather than using an enrollment-driven formula for instruction and support (see "budget methodology" in "Issues" section). It then adjusts the budget for marginal increases in the number of students by assuming that: a) marginal costs for additional students occur only in instruction and support costs; and b) all other costs are fixed, regardless of the number of students.

This methodology differs from the previous formula used in the 1991 and 1993 biennia. In the formula, the average unit cost per student was used as the factor by which to adjust the budget for increases (or decreases) in enrollment. Using a marginal rather than a total cost assumes that certain costs are not impacted by the addition of a student and can be absorbed by the unit. The executive provides a marginal cost adjustment for resident students only. For a further discussion, see the "Issues" section.

The combination of incremental budgeting and marginal adjustments results in a slight increase in average costs per student, as shown in Table 4. (Note - the total methodology resulted in decreased average costs per student in the colleges of technology.)

5199 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reduction	0.00	\$0	(\$1,328,857)	0.00	\$0	(\$1,350,009)
2 Funding	0.00	76,202,010	0	0.00	76,816,521	0
Totals	0.00	\$76,202,010	(\$1,328,857)	0.00	\$76,816,521	(\$1,350,009)

Executive New Proposals

The Executive Budget includes three new proposals in the Board of Regents budget with the intention of allowing the Regents to distribute the funds to the units. These proposals are: 1) a "quality pool" of \$4.4 million tuition in fiscal 1996 and \$5.9 million tuition in fiscal 1997 generated by management of non-resident enrollment; 2) a "system needs" proposal of \$1.4 million general fund in fiscal 1996 and \$1.8 million general fund in fiscal 1997 for various needs throughout the system; and 3) additional tuition for the University Teachers Union (UTU) agreement at UM-Missoula totalling \$1.2 million in fiscal 1996 and \$2.7 million in fiscal 1997. For a more detailed discussion of these proposals, see the "Executive New Proposals" section in the Board of Regents narrative.

In addition, the Executive Budget applies personal services reductions of 2.5 percent to all budgets except instructional faculty to help cover pay plan costs. The pay plan is included in the Executive Budget, but it will be appropriated in a pay plan bill rather than the main appropriations act. The executive calculation results in a reduction of approximately 1.0 percent of all personal services budgets. The executive calculates that this reduction will provide for approximately 30 percent of the estimated pay plan costs. It does not specify how the remainder of the plan will be funded. Table 5 shows the annual personal services reductions for each unit.

The funding shown in the table is a technical adjustment to show proper funding. It is not a new proposal.

Table 5 New Proposals Fiscal 1996 and 1997		
Unit	Personal Services Reductions	
	Fiscal 1996	Fiscal 1997
MSU-Bozeman	(\$467,924)	(\$470,255)
UM-Missoula	(491,247)	(501,437)
UM-MT Tech	(82,310)	(82,804)
MSU Billings	(156,769)	(162,060)
MSU-Northern	(77,032)	(78,701)
UM-Dillon	(53,575)	(54,752)
Total	(\$1,328,857)	(\$1,350,009)

Table 6 shows the total Executive Budget, by unit, in the 1997 biennium.

Table 6 Total Executive Budget by Unit 1997 Biennium								
University Units	Base Budget	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec Budget Fiscal 1997	Total Exec Budget Fiscal 96-97
UM-Missoula	\$51,942,611	\$649,358	(\$491,247)	\$52,100,722	\$1,351,913	(\$501,437)	\$52,793,087	\$104,893,809
MSU-Bozeman	54,356,082	3,748,421	(467,924)	57,636,579	4,356,992	(470,255)	58,242,819	115,879,398
UM-MT Tech	11,158,708	568,182	(82,310)	11,644,580	640,200	(82,804)	11,716,104	23,360,684
MSU-Billings	16,414,057	578,394	(156,769)	16,835,682	840,723	(162,060)	17,092,720	33,928,402
MSU-Northern	8,901,228	554,642	(77,032)	9,378,838	641,848	(78,701)	9,464,375	18,843,213
UM-Western	5,331,318	559,584	(53,575)	5,837,327	672,233	(54,752)	5,948,799	11,786,126
Total	\$148,104,004	\$6,658,581	(\$1,328,857)	\$153,433,728	\$8,503,909	(\$1,350,009)	\$155,257,904	\$308,691,632

5109 00 00000								
AGRICULTURAL EXPER STATION								
BIENNIAL BUDGET COMPARISON								
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	231.79	0.00	231.79	231.79	0.00	231.79	230.80	231.79
Personal Services	8,411,698	(210,293)	8,201,405	8,429,765	(210,744)	8,219,021	16,737,986	16,420,426
Operating Expenses	1,526,022	0	1,526,022	1,542,556	0	1,542,556	2,949,430	3,068,578
Equipment	250,825	0	250,825	250,455	0	250,455	490,770	501,280
Capital Outlay	0	0	0	0	0	0	11,665	0
Debt Service	11,856	0	11,856	11,856	0	11,856	10,082	23,712
Total Costs	\$10,200,401	(\$210,293)	\$9,990,108	\$10,234,632	(\$210,744)	\$10,023,888	\$20,199,933	\$20,013,996
Fund Sources								
General Fund	0	7,176,913	7,176,913	0	7,207,415	7,207,415	0	14,384,328
Federal Special	0	1,922,589	1,922,589	0	1,922,589	1,922,589	0	3,845,178
Proprietary	0	890,606	890,606	0	893,884	893,884	0	1,784,490
Current Unrestrict.	10,200,401	(10,200,401)	0	10,234,632	(10,234,632)	0	20,199,933	0
Total Funds	\$10,200,401	(\$210,293)	\$9,990,108	\$10,234,632	(\$210,744)	\$10,023,888	\$20,199,933	\$20,013,996

Agency Description

The Montana Agricultural Experiment Station (MAES) was established at Montana State University by the legislature in 1893 under Hatch Act authorization enacted by the U.S. Congress. Its mission, as provided in section 20-25-222, MCA, is to conduct research relating to agriculture, natural resources, and rural life and to distribute the resulting information among the people of Montana. The MAES is the agricultural research component of the land-grant university's three-part mission of teaching, research, and service. The goal of the MAES is to enhance the social and economic well-being of the state, national, and international communities through research programs addressing problems facing crop and livestock producers and consumers of agricultural products.

5109 00 00000								
AGRICULTURAL EXPER STATION								
Agency Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	231.80	(0.01)	0.00	231.79	(0.01)	0.00	231.79	231.79
Personal Services	8,329,162	82,536	(210,293)	8,201,405	100,603	(210,744)	8,219,021	16,420,426
Operating Expenses	1,470,443	55,579	0	1,526,022	72,113	0	1,542,556	3,068,578
Equipment	249,963	862	0	250,825	492	0	250,455	501,280
Capital Outlay	11,665	(11,665)	0	0	(11,665)	0	0	0
Debt Service	10,082	1,774	0	11,856	1,774	0	11,856	23,712
Total Costs	\$10,071,315	\$129,086	(\$210,293)	\$9,990,108	\$163,317	(\$210,744)	\$10,023,888	\$20,013,996
Fund Sources								
General Fund	0	0	7,176,913	7,176,913	0	7,207,415	7,207,415	14,384,328
Federal Special	0	0	1,922,589	1,922,589	0	1,922,589	1,922,589	3,845,178
Proprietary	0	0	890,606	890,606	0	893,884	893,884	1,784,490
Current Unrestrict.	10,071,315	129,086	(10,200,401)	0	163,317	(10,234,632)	0	0
Total Funds	\$10,071,315	\$129,086	(\$210,293)	\$9,990,108	\$163,317	(\$210,744)	\$10,023,888	\$20,013,996

Executive Budget Proposal

The program narratives that follow include descriptions of primary changes to the adjusted base included in the executive present law, and all executive and elected officials new proposals. The following table summarizes all new proposals included in the Executive Budget.

5109 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions			(\$210,293)			(\$210,744)
2 Funding		7,176,913			7,207,415	
Totals		\$7,176,913	(\$210,293)		\$7,207,415	(\$210,744)

5109 02 00000								
AGRICULTURAL EXPER STATION				ORGANIZED RESEARCH				
Program Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	215.80	(1.00)	0.00	214.80	(1.00)	0.00	214.80	214.80
Personal Services	7,856,051	62,625	(210,293)	7,708,383	77,344	(210,744)	7,722,651	15,431,034
Operating Expenses	1,461,227	55,563	0	1,516,790	72,084	0	1,533,311	3,050,101
Equipment	241,757	862	0	242,619	492	0	242,249	484,868
Capital Outlay	11,665	(11,665)	0	0	(11,665)	0	0	0
Debt Service	10,082	1,774	0	11,856	1,774	0	11,856	23,712
Total Costs	\$9,580,782	\$109,159	(\$210,293)	\$9,479,648	\$140,029	(\$210,744)	\$9,510,067	\$18,989,715
Fund Sources								
General Fund	0	0	7,176,913	7,176,913	0	7,207,415	7,207,415	14,384,328
Federal Special	0	0	1,922,589	1,922,589	0	1,922,589	1,922,589	3,845,178
Proprietary	0	0	890,606	890,606	0	893,884	893,884	1,784,490
Current Unrestrict.	9,580,782	109,159	(10,200,401)	(510,460)	140,029	(10,234,632)	(513,821)	(1,024,281)
Total Funds	\$9,580,782	\$109,159	(\$210,293)	\$9,479,648	\$140,029	(\$210,744)	\$9,510,067	\$18,989,715

Program Description

The Montana Agricultural Experiment Station (MAES) research program includes fourteen academic departments, service divisions, and laboratories located at Bozeman and seven Agricultural Research Centers located around the state. Considerable research activity is also conducted using the land and facilities of private Montana farmers and ranchers. Research projects relating to agricultural activities and other uses of natural resources are undertaken to enhance knowledge of the social, environmental, and economic impacts of agricultural production activities and policies; to make research findings useful in their applications to the problems and choices facing the state; and to disseminate research findings in an understandable manner to other scientists and private citizens.

Funding

In addition to the general fund, the research program is funded from current unrestricted funds, including: 1) federal Hatch Act funds; 2) federal regional research funds; and 3) sales and services revenue, as summarized in Table 1.

Federal funds are awarded by formula for federally approved research projects. Total revenues budgeted in the 1997 biennium are based on the estimated fiscal 1995 grant level. Sales and services revenue in the 1997 biennium is based on an average of the previous five years' actual revenue.

As shown in Table 1, funding for the AES is reduced in the 1997 biennium from both the actual fiscal 1994 and appropriated fiscal 1995 levels. This reduction is primarily due to the personal services reduction discussed in the "New Proposals" section.

Table 1 AES Funding Sources - Organized Research Program Fiscal 1994 through Fiscal 1997				
Fund Source	Actual Fiscal 1994	Allocated Fiscal 1995	Executive Budget	
			Fiscal 1996	Fiscal 1997
GF - Base	\$7,282,766	\$7,324,735	\$7,374,880	\$7,405,750
GF - PS Reduction			(210,293)	(210,744)
Federal Hatch Act	1,276,211	1,276,212	1,292,402	1,292,402
Fed. Regional Research	629,264	629,265	630,187	630,187
Sales and Services	392,541	394,536	392,472	392,472
Balance	\$9,580,782	\$9,624,748	\$9,479,648	\$9,510,067

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(1.00)	\$62,625	(1.00)	\$77,344
2 Inflation/Deflation		23,594		39,968
3 Fixed Costs		38,234		38,381
<i>Other Executive Present Law Adjustments</i>				
4 Equipment		\$862		\$492
5 Capital Outlay		(11,665)		(11,665)
6 Debt Service		1,774		1,774
7 Miscellaneous		(6,265)		(6,265)
<i>Total Executive Present Law Adjustments</i>	<i>(1.00)</i>	<i>\$109,159</i>	<i>(1.00)</i>	<i>\$140,029</i>

1) Personal Services - The Executive Budget includes the existing FTE rather than the FTE included in the 1995 biennium budget. Therefore, the Executive Budget eliminates 1.0 FTE, which offsets a similar increase in the U.S. Range Station program. However, personal services increase by \$62,625 in fiscal 1996 and \$77,344 in fiscal 1997 due to the net of the FTE reduction and increases for continuation of the pay plan.

2) Inflation - Inflationary increases of \$23,594 in fiscal 1996 and \$39,968 in fiscal 1997 result primarily from net increases in supplies, materials, and utilities and net decreases in communications.

3) Fixed Costs - The fixed cost increase of \$38,234 in fiscal 1996 and \$38,381 in fiscal 1997 consists of: a) audit fees of \$2,216 each year (there were no audit costs in fiscal 1994); and b) over \$36,000 each year for increases in insurance costs. While insurance premiums have increased somewhat, the major increase is approximately \$30,000 each year because MSU allocated general liability insurance to the experiment station for the 1997 biennium, but did not allocate expenditures during fiscal 1994.

4) Equipment - The equipment budget of \$242,619 each year is only slightly higher than the fiscal 1994 base level and includes replacement computer equipment and farm equipment. The Executive Budget contains approximately 39 percent of the equipment requested by the agency.

5) Capital Outlay - The \$11,665 expended for buildings in fiscal 1994 under "capital outlay" was a one-time expenditure for a growth chamber installed in one of the buildings, resulting in a decrease in the Executive Budget for the 1997 biennium. If this equipment expenditure had been recorded as equipment, the fiscal 1994 base, as well as the budget for each fiscal year of the 1997 biennium, would have been \$11,665 higher.

- 6) Debt Service - A \$10,082, three-year lease of agricultural land ended with the fiscal 1994 payment. Rather than negotiating a new lease, AES has purchased the 3,900 acres of land in Hill County on a three-year contract. The interest requirement is \$11,856 for each of the next three years, while the principle is provided from plant funds. The contract is recorded in leases and results in a budgeted increase of \$1,774 each year of the biennium.
- 7) Miscellaneous Adjustments - Operations are reduced by \$6,265 in each year of the biennium as a result of: a) a \$2,265 annual reduction in consulting services; and b) a \$4,000 annual reduction in costs for leased equipment.

5109 02 00000						
Executive Budget New Proposals						
		Fiscal 1996			Fiscal 1997	
		General	Total		General	Total
New Proposal	FTE	Fund	Funds	FTE	Fund	Funds
1 Personal Services Reductions			(\$210,293)			(\$210,744)
2 Funding		7,176,913			7,207,415	
Totals		\$7,176,913	(\$210,293)		\$7,207,415	(\$210,744)

Executive New Proposals

The Executive Budget includes a 2.5 percent personal services reduction, resulting in general fund reductions of \$210,293 and \$210,744 in fiscal 1996 and fiscal 1997, respectively.

5109 15 00000 AGRICULTURAL EXPER STATION				US RANGE STATION				
Program Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	16.00	0.99	0.00	16.99	0.99	0.00	16.99	16.99
Personal Services	473,111	19,911	0	493,022	23,259	0	496,370	989,392
Operating Expenses	9,216	16	0	9,232	29	0	9,245	18,477
Equipment	8,206	0	0	8,206	0	0	8,206	16,412
Total Costs	\$490,533	\$19,927	\$0	\$510,460	\$23,288	\$0	\$513,821	\$1,024,281
Fund Sources								
Current Unrestrict.	490,533	19,927	0	510,460	23,288	0	513,821	1,024,281
Total Funds	\$490,533	\$19,927	\$0	\$510,460	\$23,288	\$0	\$513,821	\$1,024,281

Program Description

The United States Department of Agriculture, Agricultural Research Service Fort Keogh Livestock and Range Research Laboratory at Miles City is a cooperative program of the United States Department of Agriculture and the state through the Montana Agricultural Experiment Station. The purpose of the laboratory is to improve efficiency of livestock production from rangeland resources in the Northern Great Plains.

Funding

The program is funded entirely from revenue generated by commodity sales.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	0.99	\$19,911	0.99	\$23,259
2 Inflation/Deflation		16		29
3 Fixed Costs				
<i>Total Executive Present Law Adjustments</i>	0.99	\$19,927	0.99	\$23,288

1) Personal Services - The Executive Budget includes the existing FTE and, therefore, adds 0.99 FTE to the level budgeted in the 1995 biennium. Personal services increases by \$19,911 in fiscal 1996 and \$23,259 in fiscal 1997 due to the FTE increase and increases for continuation of the fiscal 1995 pay plan.

- 2) Inflation - Inflationary increases shown in the table result from increases in miscellaneous operating expenses.
- 3) Equipment - The equipment budget of \$8,206 each year is equal to the fiscal 1994 base level and includes the agency request for replacement equipment and livestock.

Executive New Proposals

Personal services funded by sales revenue at the Range Station are reduced by 2.5 percent, or \$12,326 in fiscal 1996 and \$12,409 in fiscal 1997. The Executive Budget does not specify whether the reductions are to be met by a reduction of FTE or through vacancy savings. This proposal is included with the new proposal in the preceeding program.

5110 00 00000								
EXTENSION SERVICE								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
Budget Item	Present Law Budget Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	Present Law Budget Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Biennium Fiscal 94-95	Total Exec. Budget Fiscal 96-97
FTE	117.58	0.00	117.58	117.58	0.00	117.58	117.67	117.58
Personal Services	4,663,632	(117,463)	4,546,169	4,667,095	(117,549)	4,549,546	8,869,483	9,095,715
Operating Expenses	518,590	0	518,590	518,437	0	518,437	1,004,773	1,037,027
Equipment	44,963	0	44,963	44,963	0	44,963	83,363	89,926
Debt Service	0	0	0	0	0	0	7,939	0
Total Costs	\$5,227,185	(\$117,463)	\$5,109,722	\$5,230,495	(\$117,549)	\$5,112,946	\$9,965,558	\$10,222,668
Fund Sources								
General Fund	0	2,815,154	2,815,154	0	2,818,378	2,818,378	0	5,633,532
Federal Special	0	2,294,568	2,294,568	0	2,294,568	2,294,568	0	4,589,136
Current Unrestrict.	5,227,185	(5,227,185)	0	5,230,495	(5,230,495)	0	9,965,558	0
Total Funds	\$5,227,185	(\$117,463)	\$5,109,722	\$5,230,495	(\$117,549)	\$5,112,946	\$9,965,558	\$10,222,668

Agency Description

The Montana Cooperative Extension Service (CES) was established in 1914 as a result of the federal Smith-Lever Act. The CES is dedicated to disseminating and encouraging practical use of research about agricultural production and marketing, human resource development, and home economics. The CES serves 53 of the 56 counties through 49 county extension offices. Two additional counties (Petroleum and Wheatland) contract for some services with neighboring counties. (Meagher County currently has no services). The CES has four area offices, with its main operations housed in Bozeman on the Montana State University (MSU) campus. Background materials for the CES educational efforts are developed: 1) by the Extension Service, the Agricultural Experiment Station, and other MSU faculty; and 2) from research information available through faculty from other public and private universities and colleges, researchers and other state and federal agency personnel, and researchers in the private sector.

5110 00 00000								
EXTENSION SERVICE								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	117.67	(0.09)	0.00	117.58	(0.09)	0.00	117.58	117.58
Personal Services	4,415,258	248,374	(117,463)	4,546,169	251,837	(117,549)	4,549,546	9,095,715
Operating Expenses	497,419	21,171	0	518,590	21,018	0	518,437	1,037,027
Equipment	44,963	0	0	44,963	0	0	44,963	89,926
Debt Service	7,939	(7,939)	0	0	(7,939)	0	0	0
Total Costs	\$4,965,579	\$261,606	(\$117,463)	\$5,109,722	\$264,916	(\$117,549)	\$5,112,946	\$10,222,668
Fund Sources								
General Fund	0	0	2,815,154	2,815,154	0	2,818,378	2,818,378	5,633,532
Federal Special	0	0	2,294,568	2,294,568	0	2,294,568	2,294,568	4,589,136
Current Unrestrict.	4,965,579	261,606	(5,227,185)	0	264,916	(5,230,495)	0	0
Total Funds	\$4,965,579	\$261,606	(\$117,463)	\$5,109,722	\$264,916	(\$117,549)	\$5,112,946	\$10,222,668

Funding

The Extension Service is funded from two sources: 1) general fund and 2) federal Smith-Lever funds. Federal funds in the 1997 biennium are included at the fiscal 1995 authorized level of \$2,161,652 plus: 1) net estimated carryover authority from prior years of \$52,407; and 2) an estimated grant increase of \$80,509.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	(0.09)	\$248,374	(0.09)	\$251,837
2 Inflation/Deflation		(832)		(1,096)
3 Fixed Costs		22,003		22,114
<i>Other Executive Present Law Adjustments</i>				
4 Debt Service		(\$7,939)		(\$7,939)
<i>Total Executive Present Law Adjustments</i>	(0.09)	\$261,606	(0.09)	\$264,916

1) Personal Services - The increase of approximately \$250,000 each year represents full funding of 117.58 FTE plus continuation of the pay plan increases approved for fiscal 1995.

2) Inflation - Inflation factors applied to operating expenses result in net reductions, primarily from net increases in utilities and net decreases in communications.

3) Fixed Costs - The fixed costs increase of approximately \$22,100 each year consists of: a) approximately \$24,500 each year for increases in insurance costs; and b) a decrease of \$2,401 in warrant writing fees. While insurance premiums have increased somewhat, the major increase occurs because MSU allocated general liability insurance to AES for the 1997 biennium, but it did not allocate expenditures during fiscal 1994.

4) Debt Service - Lease/purchase payments on copiers have been completed, resulting in a \$7,939 reduction in each year of the biennium.

5) Equipment - Equipment is budgeted at the fiscal 1994 base level and includes replacement of computer and office equipment.

5110 00 00000						
Executive Budget New Proposals						
New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reductions			(\$117,463)			(\$117,549)
2 Funding		2,815,154			2,818,378	
Totals		\$2,815,154	(\$117,463)		\$2,818,378	(\$117,549)

Executive New Proposals

The Executive Budget includes a 2.5 percent personal services reduction for vacancy savings to fund a pay plan, resulting in general fund reductions of \$117,463 and \$117,549 in fiscal 1996 and fiscal 1997, respectively.

5111 00 00000								
FORESTRY & CONS EXPER STATION			BIENNIUM BUDGET COMPARISON					
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	15.30	0.00	15.30	15.30	0.00	15.30	15.03	15.30
Personal Services	628,660	0	628,660	629,271	0	629,271	1,220,938	1,257,931
Operating Expenses	88,457	0	88,457	88,783	0	88,783	156,817	177,240
Equipment	5,806	0	5,806	5,806	0	5,806	12,010	11,612
Total Costs	\$722,923	\$0	\$722,923	\$723,860	\$0	\$723,860	\$1,389,765	\$1,446,783
Fund Sources								
General Fund	0	722,923	722,923	0	723,860	723,860	0	1,446,783
Current Unrestrict.	722,923	(722,923)	0	723,860	(723,860)	0	1,389,765	0
Total Funds	\$722,923	\$0	\$722,923	\$723,860	\$0	\$723,860	\$1,389,765	\$1,446,783

Agency Description

The Montana Forest and Conservation Experiment Station (FCES) was established by the legislature in 1937 as a non-profit organization devoted to the scientific investigation of natural resource problems. The station serves as the research unit of the University of Montana School of Forestry with the Dean of the School of Forestry functioning as the station director. The FCES's purposes include the study of relationships between forests and other dimensions of the environment, the discovery of ways to improve the products of forest lands, and the completion and publication of reports about forestry research. Research is carried on at Lubrecht Experimental Forest and at other locations in Montana in cooperation with private, state, and federal agencies.

5111 00 00000								
FORESTRY & CONSERVATION EXPERIMENT STATION								
Agency Summary								
Budget Item	Base Budget Fiscal 1994	PL Base Adjustment Fiscal 1996	New Proposals Fiscal 1996	Total Exec. Budget Fiscal 1996	PL Base Adjustment Fiscal 1997	New Proposals Fiscal 1997	Total Exec. Budget Fiscal 1997	Total Exec. Budget Fiscal 96-97
FTE	15.27	0.03	0.00	15.30	0.03	0.00	15.30	15.30
Personal Services	589,900	38,760	0	628,660	39,371	0	629,271	1,257,931
Operating Expenses	88,904	(447)	0	88,457	(121)	0	88,783	177,240
Equipment	5,806	0	0	5,806	0	0	5,806	11,612
Total Costs	\$684,610	\$38,313	\$0	\$722,923	\$39,250	\$0	\$723,860	\$1,446,783
Fund Sources								
General Fund	0	0	722,923	722,923	0	723,860	723,860	1,446,783
Current Unrestrict.	684,610	38,313	(722,923)	0	39,250	(723,860)	0	0
Total Funds	\$684,610	\$38,313	\$0	\$722,923	\$39,250	\$0	\$723,860	\$1,446,783

Funding

The Forestry and Conservation Experiment Station is funded entirely with general fund.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	0.03	\$38,760	0.03	\$39,371
2 Inflation/Deflation		408		734
3 Fixed Costs		(855)		(855)
<i>Total Executive Present Law Adjustments</i>	<u>0.03</u>	<u>\$38,313</u>	<u>0.03</u>	<u>\$39,250</u>

1) Personal Services - The increase of approximately \$39,000 each year represents: a) a 0.03 FTE adjustment for the 1997 biennium; b) full funding of 15.30 FTE (vacancy savings in fiscal 1994 was approximately 5 percent); and c) continuation of the pay plan increases approved for fiscal 1995.

2) Inflation & 3) Fixed Costs - Inflation factors applied to operating expenses are primarily from net increases in supplies and utilities and net decreases in communications. The fixed cost decrease of \$855 each year results from the elimination of directly assessed charges for insurance. Insurance premiums will be paid through the University of Montana budget in the 1997 biennium.

4) Equipment - Equipment is budgeted at the fiscal 1994 base level and includes computers and scientific apparatus.

5112 00 00000								
BIENNIAL BUDGET COMPARISON								
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
Budget Item	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	38.19	0.00	38.19	38.19	0.00	38.19	37.56	38.19
Personal Services	1,517,260	(27,143)	1,490,117	1,518,182	(27,166)	1,491,016	2,884,489	2,981,133
Operating Expenses	458,222	0	458,222	459,162	0	459,162	800,266	917,384
Equipment	71,278	0	71,278	71,278	0	71,278	171,328	142,556
Debt Service	14,296	0	14,296	14,296	0	14,296	28,443	28,592
Total Costs	\$2,061,056	(\$27,143)	\$2,033,913	\$2,062,918	(\$27,166)	\$2,035,752	\$3,884,526	\$4,069,665
Fund Sources								
General Fund	0	1,323,913	1,323,913	0	1,325,752	1,325,752	0	2,649,665
Federal Special	0	666,000	666,000	0	666,000	666,000	0	1,332,000
Proprietary	0	44,000	44,000	0	44,000	44,000	0	88,000
Current Unrestrict.	2,061,056	(2,061,056)	0	2,062,918	(2,062,918)	0	3,884,526	0
Total Funds	\$2,061,056	(\$27,143)	\$2,033,913	\$2,062,918	(\$27,166)	\$2,035,752	\$3,884,526	\$4,069,665

Agency Description

The Bureau of Mines and Geology is a public service and research agency at Montana Tech of the University of Montana in Butte. The bureau is charged with promoting the effective use of mineral resources through investigation of their geology, production, treatment, and economics. It disseminates information through publications and replies to individual inquiries. The bureau's work includes field and laboratory study, collection of samples and information, interpretation of data, and compilation of statistics on all mineral resources--metallic and non-metallic minerals, fuels, and groundwater. Projects are undertaken in cooperation with the U.S. Geological Survey, the U.S. Bureau of Mines, and other agencies.

5112 00 00000								
BUREAU OF MINES & GEOLOGY								
Agency Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
Budget Item	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	37.59	0.60	0.00	38.19	0.60	0.00	38.19	38.19
Personal Services	1,378,610	138,650	(27,143)	1,490,117	139,572	(27,166)	1,491,016	2,981,133
Operating Expenses	366,505	91,717	0	458,222	92,657	0	459,162	917,384
Equipment	112,625	(41,347)	0	71,278	(41,347)	0	71,278	142,556
Debt Service	14,296	0	0	14,296	0	0	14,296	28,592
Total Costs	\$1,872,036	\$189,020	(\$27,143)	\$2,033,913	\$190,882	(\$27,166)	\$2,035,752	\$4,069,665
Fund Sources								
General Fund	0	0	1,323,913	1,323,913	0	1,325,752	1,325,752	2,649,665
Federal Special	0	0	666,000	666,000	0	666,000	666,000	1,332,000
Proprietary	0	0	44,000	44,000	0	44,000	44,000	88,000
Current Unrestrict.	1,872,036	189,020	(2,061,056)	0	190,882	(2,062,918)	0	0
Total Funds	\$1,872,036	\$189,020	(\$27,143)	\$2,033,913	\$190,882	(\$27,166)	\$2,035,752	\$4,069,665

Funding

The Bureau of Mines is funded from three sources: 1) general fund; 2) revenue from the sale of maps and publications, totalling \$44,000 each year; and 3) Resource Indemnity Trust funds of \$666,000 each year for the Groundwater Assessment program.

LFA Issues

1) Revenue from the Sale of Maps and Publications - The Executive Budget recommends funding from sales revenue of \$44,000, an amount equal to the 1995 biennium appropriated level. However, actual sales in fiscal 1994 totalled \$33,660, sales from fiscal 1992 through fiscal 1994 averaged approximately \$39,000, and fiscal 1995 sales are estimated at \$39,000, based on actual sales for the first three months. Because sales revenue directly offsets general fund, the bureau would have to reduce operations if sales revenue is lower than anticipated.

2) Groundwater Assessment Program (GWAP) - The executive includes present law spending authority for over 60 percent more revenue than would actually be available under current statutes, based on fiscal 1994 actual revenue.

GWAP goals include working with local government units, ground water users, and others to: a) approve ground water monitoring sites; b) select ground water characterization study areas; and c) develop plans for ground water information management and dissemination. In the 1993 biennium, start-up costs were appropriated from various other revenues. Beginning in the 1994 biennium, the program is funded with 14.1 percent of the proceeds from the resource indemnity and ground water assessment (RIGWA) tax (formerly the resource indemnity trust (RIT) tax) not to exceed \$666,000 each year.

The legislature had anticipated that 14.1 percent of metal mines tax collections allocated to RIT would be allocated to RIGWA (15.5 percent of total metal mine taxes are deposited to the RIT). However, the allocation was not changed in statute when RIGWA replaced RIT. In fiscal 1994, the Department of Revenue determined that the resulting lack of clarity necessitated that all metal mines tax collections previously deposited to the RIT be deposited in the trust. As a result, none of these funds are included in the RIGWA tax, and therefore, no funds from the metal mines tax flow through to the GWAP.

The 1993 legislature appropriated the maximum \$666,000 anticipated. However, the revenue actually available to GWAP was less than anticipated in fiscal 1994 because: a) no metal mines tax was deposited, resulting in a loss of approximately \$135,000; b) oil and gas prices were lower than the ROC estimate, resulting in less production and approximately \$95,000 less revenue to GWAP; and c) a reduction in the ROC revenue estimate was not reflected in the GWAP, resulting in a further reduction in actual revenue of approximately \$27,000. The net result was that the GWAP did not receive anticipated revenue of over \$257,000 in fiscal 1994, as shown in Table 1.

Table 1 also shows that expenditures exceeded revenues by over \$120,000 in fiscal 1994. This deficit resulted because funds were spent or obligated by the time the GWAP became aware of the shortfall in March 1994 when tax proceeds were collected and distributed. Expenditures were immediately reduced, and the fiscal 1994 deficit was covered by a loan from unexpended funds in the Bureau of Mine's unrestricted account, pending repayment in fiscal 1995.

Table 1
Ground Water Assessment Account
Fiscal 1994

Item	Appropriated	Actual	Difference
Revenue	\$666,000	\$408,656	(\$257,344)
Expenditures	666,000	529,154	(\$136,846)
Balance	\$0	(\$120,498)	(\$120,498)

Revenue shortfalls are anticipated for fiscal 1995, due to: a) continued reduced revenues to the program; and b) the need to pay back the unrestricted funds used to cover the fiscal 1994 deficit. Therefore, for fiscal 1995 the GWAP reduced: a) FTE from 12.75 to 5.25; and b) the operating budget from \$666,000 to approximately \$200,000.

The issue of the GWAP revenue shortfall was presented to the Environmental Quality Council (EQC), the Joint Committee on Postsecondary Education Policy and Budget (PEPB), the Revenue Oversight Committee (ROC), the Legislative Finance Committee (LFC), and the Governor. The EQC has been asked to draft legislation for the 1995 legislature to divert 14.1 percent of the RIT metal mines tax proceeds to the groundwater assessment account. The LFC endorsed ROC recommendations that:

- a) the Bureau of Mines request an inter-entity loan from the Department of Administration under the provisions of section 17-2-107, MCA, to offset the loss associated with the metalliferous mines license tax;
- b) corrective legislation be enacted to ensure that a portion of the metalliferous mines license tax is deposited to the GWAP account; and
- c) if necessary, a supplemental appropriation be made to the Bureau of Mines and Geology.

Subsequent to the above recommendations, the Governor authorized use of environmental contingency account funds of \$262,186. The anticipated revenue will cover minimal operations and repay the loan to the bureau, but full implementation of the program has been delayed until the 1997 biennium.

The Executive Budget assumes: 1) oil and gas prices and production will increase from the fiscal 1994 level; and 2) legislation will be passed by the 1995 legislature to: a) correct the funding oversight; and b) allow a reserve in the GWAP account for funding stability if future revenue fluctuates. Current ROC estimates indicate revenue would total \$429,000 in fiscal 1996 and \$427,000 in fiscal 1997 without deposit of the metal mines tax proceeds, or \$237,000 in fiscal 1996 and \$239,000 in fiscal 1997 less than the executive. If the metal mines tax revenue is included, revenue would total \$552,000 in fiscal 1996 and \$543,000 in fiscal 1997 or \$114,000 and \$123,000 less than the executive in respective fiscal years. The legislature has two primary options: 1) reduce the bureau's operating budget to reflect estimated revenue either with or without a change in allocation of the metal mines tax proceeds; or 2) accept the Executive Budget recommendation. If revenues are less than appropriated, the bureau would have to reduce budgeted expenditures.

Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

- 1) Personal Services - The increase of approximately \$139,000 each year represents: a) an increase of 0.6 FTE for the 1997 biennium; b) full funding of 38.19 FTE, including all 12.75 FTE in the Groundwater Assessment program (see LFA Issue under "Funding"); and c) continuation of the pay plan increases approved for fiscal 1995.
- 2) Inflation - Inflation factors applied to operating expenses result primarily from net increases in other services and supplies and net decreases in communications.
- 3) Groundwater Assessment - Consulting and professional services and laboratory testing increase by \$75,539 each year, and travel increases by \$9,592 in fiscal 1996 and \$6,606 in fiscal 1997, reflecting full operation of the program. The fiscal 1994 actual expenditures were curtailed because actual funding was less than appropriated (see LFA Issue under "Funding").

Present Law Adjustments/Issues

Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services	0.60	\$138,650	0.60	\$139,572
2 Inflation/Deflation		6,160		10,086
3 Fixed Costs				
<i>Other Executive Present Law Adjustments</i>				
4 Groundwater Assessment		\$85,131		\$82,145
5 Miscellaneous Adjustments		426		426
6 Equipment		(41,347)		(41,347)
<i>Total Executive Present Law Adjustments</i>	<i>0.60</i>	<i>\$189,020</i>	<i>0.60</i>	<i>\$190,882</i>

4) Miscellaneous Adjustments - Communications increase by \$426 each year of the biennium because the executive present law budget for the 1997 biennium does not include negative accounting entries present in the fiscal 1994 base.

5) Equipment - The agency request of \$57,850 each year for Groundwater Assessment program equipment, including office, field, and computer equipment, is a \$41,347 annual reduction from fiscal 1994 actual expenditures (see LFA Issue under "Funding"). The remaining equipment of \$13,428 in the operations program is budgeted at the fiscal 1994 actual level.

6) Debt Service - The annual budget of \$14,296 is for principal and interest payments for a Xerox copier.

5112 00 00000

Executive Budget New Proposals

New Proposal	FTE	Fiscal 1996		FTE	Fiscal 1997	
		General Fund	Total Funds		General Fund	Total Funds
1 Personal Services Reduction			(\$27,143)			(\$27,166)
2 Funding		1,323,913			1,325,752	
Totals		\$1,323,913	(\$27,143)		\$1,325,752	(\$27,166)

Executive New Proposals

The Executive Budget includes a 2.5 percent personal services reduction in the operations program only, resulting in general fund reductions of \$27,143 and \$27,166 in fiscal 1996 and fiscal 1997, respectively.

5119 00 00000								
FIRE SERVICES TRAINING SCHOOL								
BIENNIUM BUDGET COMPARISON								
Agency Summary								
	Present Law	New	Total	Present Law	New	Total	Total	Total
	Budget	Proposals	Exec. Budget	Budget	Proposals	Exec. Budget	Biennium	Exec. Budget
Budget Item	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 94-95	Fiscal 96-97
FTE	5.44	0.00	5.44	5.44	0.00	5.44	5.44	5.44
Personal Services	204,113	0	204,113	204,366	0	204,366	406,437	408,479
Operating Expenses	31,836	0	31,836	29,635	0	29,635	56,627	61,471
Equipment	17,554	0	17,554	17,554	0	17,554	19,354	35,108
Total Costs	\$253,503	\$0	\$253,503	\$251,555	\$0	\$251,555	\$482,418	\$505,058
Fund Sources								
General Fund	0	253,503	253,503	0	251,555	251,555	0	505,058
Current Unrestrict.	253,503	(253,503)	0	251,555	(251,555)	0	482,418	0
Total Funds	\$253,503	\$0	\$253,503	\$251,555	\$0	\$251,555	\$482,418	\$505,058

Agency Description

As authorized in section 20-31-102, MCA, the Fire Services Training School (FSTS) exists to organize, supervise, and coordinate training and education for fire service personnel in the state in accordance with local needs and the standards established by the Board of Regents. The Fire Services Training School, which is located in Great Falls at the vocational-technical center, administers and maintains a resource center for use by localities; provides regional, local, and state-wide training programs for fire services personnel; develops courses and training materials; maintains a network of unsalaried field instructors; and offers a fire service professional certification program. The school is attached to the Extension Service for administrative purposes.

5119 00 00000								
FIRE SERVICES TRAINING SCHOOL								
Agency Summary								
	Base	PL Base	New	Total	PL Base	New	Total	Total
	Budget	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
Budget Item	Fiscal 1994	Fiscal 1996	Fiscal 1996	Fiscal 1996	Fiscal 1997	Fiscal 1997	Fiscal 1997	Fiscal 96-97
FTE	5.44	0.00	0.00	5.44	0.00	0.00	5.44	5.44
Personal Services	199,139	4,974	0	204,113	5,227	0	204,366	408,479
Operating Expenses	27,839	3,997	0	31,836	1,796	0	29,635	61,471
Equipment	17,554	0	0	17,554	0	0	17,554	35,108
Total Costs	\$244,532	\$8,971	\$0	\$253,503	\$7,023	\$0	\$251,555	\$505,058
Fund Sources								
General Fund	0	0	253,503	253,503	0	251,555	251,555	505,058
Current Unrestrict.	244,532	8,971	(253,503)	0	7,023	(251,555)	0	0
Total Funds	\$244,532	\$8,971	\$0	\$253,503	\$7,023	\$0	\$251,555	\$505,058

Funding

State funding for the Fire Services Training School is entirely general fund. Fees for services, which also support the school, are appropriated in language.

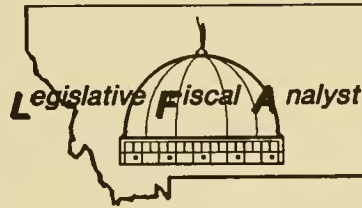
Executive Present Law

The following table shows the primary changes to the adjusted budget base included in the executive present law, as well as LFA issues with those adjustments. "Statewide" adjustments are standard categories of adjustments made to all agencies. A legislative decision on these items will be globally applied to all agencies. A detailed description is included in the introduction to Volume I of the 1997 Biennium Budget Analysis.

Present Law Adjustments/Issues				
Description	FTE Fiscal 1996	Adjustments Fiscal 1996	FTE Fiscal 1997	Adjustments Fiscal 1997
<i>Statewide Present Law Adjustments</i>				
1 Personal Services		\$4,974		\$5,227
2 Inflation/Deflation		(320)		(539)
3 Fixed Costs		3,758		679
<i>Other Executive Present Law Adjustments</i>				
4 Miscellaneous		\$559		\$1,656
<i>Total Executive Present Law Adjustments</i>	0.00	\$8,971	0.00	\$7,023

- 1) Personal Services - The increase of approximately \$5,000 each year represents full funding of 5.44 FTE plus continuation of the pay plan increases approved for fiscal 1995.
- 2) Inflation & 3) Fixed Costs - Operating expenses are reduced as a result of inflationary increases in supplies and materials and decreases in communications. The fixed cost increase of \$3,758 in fiscal 1996 and \$679 in fiscal 1997 consists of: 1) audit fees of \$3,082 in fiscal 1996; and 2) over \$670 each year for increases in insurance and bonds.
- 4) Miscellaneous Adjustments - Other operations increases of \$559 in fiscal 1996 and \$1,656 in fiscal 1997 are the net result of increases for communications and travel, and a decrease for other services.
- 5) Equipment - Equipment is budgeted at the fiscal 1994 base level and includes replacement of one vehicle each year of the biennium. The 1993 legislature appropriated one vehicle for the 1995 biennium. Consequently, the 1997 biennium Executive Budget allows the purchase of three vehicles in four years for this program.

LONG-RANGE PLANNING



JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

Long-Range Building Program

Resource Indemnity Trust Interest Accounts

Treasure State Endowment Program

Cultural and Aesthetic Grant Program

Oil Overcharge Funds

-----Committee Members-----

House

Senate

Representative Ernest Bergsagel (Chair)

Senator Ethel Harding (Vice-Chair)

Representative Matt McCann

Senator "Chris" Christiaens

Representative Tom Zook

-----Fiscal Analyst Staff-----

Nan LeFebvre

Long-Range Building Program

In 1963, the legislature enacted the Long-Range Building Program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program was developed in order to present a single, comprehensive, and prioritized plan for allocating the state's resources for the purpose of capital construction and repair of state-owned facilities. The various types of funding used to finance the program include the capital projects fund, state and federal special revenue funds, miscellaneous other funds, and the issuance of debt. The Executive Budget recommends \$193.1 million of capital projects for the 1997 biennium, resulting in the largest building program ever proposed. This is approximately \$150.0 million more than the total capital projects approved for the 1995 biennium.

Table 1 shows the capital project appropriations for each biennium since 1983 and the executive recommendation for the 1997 biennium.

Table 1 Capital Projects Appropriated by Biennium (In Millions)				
Biennium	Capital Projects Funds	G.O. Bonds	Other *** Funds	Total Projects
1983	\$11.700	\$35.834	\$12.761	\$60.294
1985	10.870	39.335	15.693	65.898
1987	10.518	8.550	19.203	38.270
1989	6.247	0.000	11.440	17.687
1991	7.515	3.823	21.527	32.864
1993	8.382	48.605 *	71.820	128.807 *
1995	5.719 **	6.460	30.898	43.076
1997 Recommended	4.586	71.747	116.721	193.054
* The 1993 legislature reduced the prison expansion by \$12.7 million. ** The amount shown in the table contains \$2.6 million of general fund. HB 46 from the 1993 session diverts cigarette tax revenues from the capital projects fund to a state special revenue fund for the operation of veterans' homes. This \$2.6 million reduction in the capital projects fund was offset by an appropriation from the general fund. *** Other funds include non-general fund sources such as state and federal special revenue funds, private contributions, and miscellaneous "other" funds.				

Capital Projects Fund

Although the capital projects fund does not represent the largest portion of funding for capital projects, this fund is referred to as the state's "cash building program". The revenues in this fund include approximately 18 percent of cigarette tax revenues, Architecture and Engineering (A&E) supervisory fees, and investment earnings. Due to decreased cigarette consumption, cigarette tax revenues available to the capital projects fund have continued to decline.

Table 2 shows the projected fund balance for the 1997 biennium based on the Executive Budget project recommendations. Cigarette tax and investment revenues are based on assumptions adopted by the Revenue Oversight Committee (ROC). The \$10 million transfer of funds relates to HB 5 of the 1993 session and is discussed later under "LFA Issues."

Table 2 Capital Projects Fund Fund Balance Projection, 1997 Biennium (In Millions)		
Estimated Beginning Fund Balance	\$0.947	
Revenues		
Cigarette Tax	\$4.281	
Investment Earnings	0.441	
Supervisory Fees	0.262	
DNRC Transfer - Energy Savings	0.320	
Total Funds Available	\$6.250	
Expenditures		
A&E Expenditures	\$1.378	
Capital Projects	4.586	
Total Expenditures	\$5.964	
Projected Ending Fund Balance	\$0.287	
Transfer Of Funds*		\$10.000
Revised Ending Fund Balance		\$10.287
* Transfer of funds according to Section 23, HB 5 of the 1993 legislature.		

Executive Budget Recommendation

Table 3 shows the list of projects for the 1997 biennium recommended in the Executive Budget. This table lists the projects by agency, priority number as assigned by the A&E staff of the Department of Administration, and the proposed funding source(s).

Long-Range Building Program

Table 3
Executive Recommendation for Long-Range Building Program
1997 Biennium

A&E Priority Agency		Bonded Debt	Capital Projects Fund	State Special Revenue	Federal Special Revenue	Other Revenue	Total
66	Administration						
	Capitol Restoration	\$17,911,000			\$300,000	\$1,789,000	\$20,000,000
17	ADA Accessibility Modifications, Capitol Complex		<u>100,000</u>				<u>100,000</u>
	Total Department of Administration	\$17,911,000	\$100,000	\$0	\$300,000	\$1,789,000	\$20,100,000
	Corrections & Human Services						
64	MT State Prison Expansion	\$4,300,000			\$1,500,000		\$5,800,000
65	Regional Detention Centers	9,000,000			4,000,000		13,000,000
68	MT State Hospital Redesign/Construction	18,000,000					18,000,000
02	Facility Improvements, Center for the Aged		330,000				330,000
05	Roof Replacements, MSH-Warm Springs		70,000				70,000
09	Facility Improvements, MT Developmental Center		644,000				644,000
47	MT Veterans' Home Facility Maintenance			215,952			215,952
28	Swan River Correctional Training Center				560,000		560,000
	Total Dept. of Corrections & Human Services	\$31,300,000	\$1,044,000	\$215,952	\$6,060,000	\$0	\$38,619,952
	Board of Education						
16	Reshingle Cottage Complex, MSDB		<u>\$120,000</u>				<u>\$120,000</u>
	Total Board of Education	\$0	\$120,000	\$0	\$0	\$0	\$120,000
	Family Services						
10	Miscellaneous Improvements, Pine Hills School		\$100,000				\$100,000
12	Pianning Lodge Replacement, Pine Hills School		<u>100,000</u>				<u>100,000</u>
	Total Department of Family Services	\$0	\$200,000	\$0	\$0	\$0	\$200,000
	Fish, Wildlife & Parks						
18	Wildlife Habitat Maintenance			\$227,000			\$227,000
19	Bluewater Hatchery, Phase II			2,500,000			2,500,000
20	Ulm Pishkun, Phase I			843,000	220,000		1,063,000
21	Administrative Facilities Improvements			569,520			569,520
22	Property Development and Maintenance			165,000			165,000
23	Fishing Access Protection			625,000	375,000		1,000,000
24	Mikoshika State Park			300,000	100,000		400,000
25	Waterfowl Stamp Program			185,000			185,000
26	Fish Health Lab			344,000			344,000
27	Habitat Montana			4,600,000			4,600,000
28	Tongue River Reservoir State Park			500,000	650,000		1,150,000
29	Fish Hatchery Maintenance			192,000			192,000
30	Spring Meadow Wildlife Rehab. & Ed Center			600,000	25,000		625,000
31	Statewide Road Maintenance			1,000,000			1,000,000
32	Fishing Access Site Acquisition			800,000			800,000
33	River Restoration			290,000			290,000
34	Big Horn Sheep Program			652,720			652,720
35	Lone Pine Visitor Center			150,000			150,000
36	Miles City Hatchery Pond			110,000			110,000
37	Salmon & Placid Lakes State Park			140,000	135,000		275,000
38	Whitefish Lake State Park			200,000	200,000		400,000
39	Thompson Chain of Lakes FAS			200,000			200,000
40	Lake Elmo, Phase III			150,000			150,000
41	Cooney Reservoir State Park			250,000	40,000		290,000
42	Boat in Lieu Regional Projects			400,000			400,000
43	BPA Mitigation				1,000,000		1,000,000
44	South Sandstone Dam Repair			250,000			250,000
45	Ringy Dingy Dam Repair			50,000			50,000
46	Tongue River Restoration			<u>1,100,000</u>			<u>1,100,000</u>
	Total Dept. of Fish, Wildlife & Parks	\$0	\$0	\$17,393,240	\$2,745,000	\$0	\$20,138,240

Table 3 (Continued)
Executive Recommendation for Long-Range Building Program
1997 Biennium

A&E Priority Agency	Bonded Debt	Capital Projects Fund	State Special Revenue	Federal Special Revenue	Other Revenue	Total
Justice						
71 Law Enforcement Center	\$7,000,000					\$7,000,000
Total Department of Justice	\$7,000,000	\$0	\$0	\$0	\$0	\$7,000,000
Labor & Industry						
49 Repair/Maintenance Local Job Service Offices				\$110,000		\$110,000
50 Expand Job Service, Havre				350,000		350,000
51 Purchase Land for Job Service				156,550		156,550
Total Department of Labor & Industry	\$0	\$0	\$0	\$616,550	\$0	\$616,550
Military Affairs						
01 Repair STARC HVAC		\$258,500				\$258,500
06 Roof Replacements		107,000				107,000
52 Construct Billings Armory				12,009,800		12,009,800
53 Federal Spending Authority for Maintenance				800,000		800,000
54 State Veterans' Cemetery, Phase IV			75,000	75,000		150,000
Total Department of Military Affairs	\$0	\$365,500	\$75,000	\$12,884,800	\$0	\$13,325,300
Natural Resources & Conservation						
55 Tongue River Dam Rehabilitation			\$3,275,000	\$30,465,000	\$11,001,000	\$44,741,000
56 Petrolia Dam Rehabilitation			1,076,000			1,076,000
57 Nevada Creek Dam Study			360,000			360,000
58 Ruby River Dam Study			480,000			480,000
Total Dept. of Natural Resources & Conservation	\$0	\$0	\$5,191,000	\$30,465,000	\$11,001,000	\$46,657,000
State Lands						
11 Maintenance Improvements, Statewide		\$336,400				\$336,400
13 Plains Unit Office		300,000				300,000
Total Department of State Lands	\$0	\$636,400	\$0	\$0	\$0	\$636,400
Transportation						
59 Repair, Maintenance & Minor Construction			\$1,480,000			\$1,480,000
60 Equipment Storage Buildings, Statewide			1,820,000			1,820,000
61 Repair, Maintenance & Construction, Aeronautics			50,000			50,000
Total Department of Transportation	\$0	\$0	\$3,350,000	\$0	\$0	\$3,350,000
University System						
67 Central Heating Plant, Phase II, MSU - Bozeman	\$3,000,000				\$2,200,000	\$5,200,000
69 Chemistry Building Renovation, UM - MT Tech	4,536,000				1,509,000	6,045,000
70 Underground Utilities Expansion, MSU - Bozeman	6,000,000					6,000,000
72 Pharmacy Addition/Renovation, UM - Missoula	2,000,000				2,000,000	4,000,000
03 Repair Old Main Steam Traps, UM - Western		55,000				55,000
04 Repair Brockmann Center, MSU - Northern		200,000				200,000
07 Museum Elevator, UM - MT Tech		350,000				350,000
08 Roof Replacements, University System		714,700				714,700
14 Life Safety/Code Compliance, University System		500,000				500,000
15 ADA Accessibility Mods, University System		300,000				300,000
62 Authority Only, UM					7,350,000	7,350,000
63 Authority Only, MSU				8,000,000	3,575,946	11,575,946
Total University System	\$15,536,000	\$2,119,700	\$0	\$8,000,000	\$16,634,946	\$42,290,646
Total Recommended	\$71,747,000	\$4,585,600	\$26,225,192	\$61,071,350	\$29,424,946	\$193,054,088

Bonded Program

Not only does the executive proposal represent the largest Long-Range Building Program ever presented to the legislature, it includes the largest general obligation (G.O.) bonding authority ever associated with the LRBP for a single biennium. Of the \$193.1 million proposal, \$85.0 million of projects are to be funded with bonded debt, primarily with \$71.7 million of G.O. debt. The remaining \$13.3 million will essentially be funded with federal special revenue funds and private donations.

There are nine projects included in the \$85.0 million to be funded with bonded debt. Four projects fall under the University System for a total of \$21.2 million, with \$15.5 million bonding authority required. The Department of Justice is asking for \$7.0 million in bonding authority to fund a law enforcement center in Helena at the site currently serving as the Mountain View School. Three building projects are being requested by the Department of Corrections and Human Services (DCHS) for a total of \$36.8 million, with \$31.3 million to be funded with bonded debt. Included in the DCHS request is \$14.0 million for four "regional detention centers", although the executive proposal does not include specific sites for three of the four centers. The remaining project to be funded with general obligation bonds involves restoration of the state capitol building totaling \$20.0 million, with \$17.9 million in requested bonding authority.

LFA Issues

Debt Service

The Executive Budget proposes two major funding sources for repayment of bonded debt: coal severance tax money and capitol land grant revenue.

1) Coal Severance Tax Revenue - The executive is planning to introduce legislation that will allocate to the LRBP 12 percent of coal severance tax collections which are presently allocated to the highway reconstruction trust fund under 15-35-108(2), MCA. These collections are approximately \$5.4 million annually. Higher than anticipated revenues from gasoline and diesel taxes would be used to offset the loss of coal tax money appropriated to the Department of Transportation.

The Executive Budget proposes using this coal severance tax money to service LRBP general obligation debt and/or fund building program projects. The 12 percent allocation of coal tax collections to the long-range building program account would begin in fiscal 1996. However, \$5.2 million is to be transferred from the LRBP account to the general fund in fiscal 1996. This is because it is unlikely that approved projects would progress quickly enough to require the issuance of debt prior to fiscal 1997.

Because the average state bond issue is for a term of 20 years, targeting any specific source of revenue to service LRBP general obligation debt demands appropriate timeframe considerations.

2) Capitol Land Grant Revenue - Capitol land grant revenues are currently being used to retire debt on prior LRBP capitol complex projects. Consequently, capitol land grant money is currently being deposited into the general fund to service this debt and has been included in the general fund revenue estimates as adopted by ROC. If future capitol land grant earnings are appropriated for other purposes, the general fund would be required to absorb existing G.O. debt service obligations.

Because the level of debt obligations presently being paid with capitol land grant income decreases significantly beginning in fiscal 1998, the administration proposes using this income to service debt for capitol restoration projects. Once again, targeting a specific source of revenue for a 20-year obligation may have risks -- especially with a source as volatile as capitol land grant money. The level of capitol land grant revenue has varied as much as 33 percent from

one fiscal year to the next.

There are two other important considerations when debating the issuance of long-term debt: 1) any new general obligation bonds issued to finance building projects not fully funded by a designated non-general fund revenue source would result in an expense to the general fund as a statutory appropriation under 17-7-502, MCA; and 2) careful consideration needs to be afforded potential increases in operating and maintenance costs associated with any new building project.

Three new LRBP general obligation bond issues totalling \$44.5 million have been sold during the 1995 biennium, resulting in a total of \$71.1 million in new general fund debt service obligations. Table 4 shows fiscal year debt service obligations as they currently exist and with debt service payments resulting from an additional \$71.7 million of bonding authority as proposed in the Executive Budget. As shown in Table 4, a \$71.7 million debt issue would result in increased annual debt service payments of about \$6.5 million -- an amount exceeding the projected \$5.4 million coal severance tax collections proposed for debt service payment. Moreover, the coal tax revenue source is projected to decrease to \$5.1 million in fiscal 1997 based on the assumptions adopted by ROC.

Table 4
General Fund Debt Service
(In Millions)

Fiscal Year	Current Fiscal Year Total	*New Debt	Projected Fiscal Year Total
1995	\$14.428	\$0.000	\$14.428
1996	7.682	0.000	7.682
1997	3.981	2.215	6.196
1998	3.777	4.431	8.208
1999	3.664	6.503	10.167
2000	3.640	6.501	10.141
2001	3.479	6.504	9.983
2002	3.482	6.503	9.985
2003	3.476	6.501	9.977
2004	3.171	6.503	9.674
2005	3.152	6.503	9.655
2006	3.144	6.501	9.645
2007	3.149	6.504	9.653
2008	3.150	6.502	9.652
2009	3.303	6.503	9.806
2010	3.394	6.501	9.895
2011	3.411	6.501	9.912
2012	3.417	6.501	9.918
2013	3.428	6.500	9.928
2014	1.772	6.503	8.275
2015	0.135	6.500	6.635
2016	0.000	6.502	6.502
2017	0.000	6.503	6.503
Totals	\$82.234	\$130.185	\$212.419

* Payments are calculated based on an interest rate of 6.4%.

Contingent Transfer of Funds

A&E is responsible for overseeing the maintenance and repair of over 3,100 state buildings and facilities. Requests made to A&E for repair, maintenance, and construction projects for the 1997 biennium totalled over \$327.2 million. In recognition of the overwhelming necessity to address these needs, the 1993 legislature included Section 23 in HB 5, which states:

If the fiscal year 1995 ending cash balance in the general fund is greater than \$30 million, then the amount of excess over \$30 million up to \$10 million is appropriated from the general fund to the capital projects fund.

The Legislative Fiscal Analyst's Office (LFA) projects a 1995 ending general fund cash balance of over \$40 million. The Executive Budget recommendation for the Long-Range Building Program does not include any general fund transfer to the capital projects fund as specified in HB 5. The legislative intent of Section 23 is clear -- a surplus of funds above \$30 million, up to \$10 million, is to be transferred to the capital projects fund to address the ongoing need for repair and maintenance. If the funds are available and are transferred in accordance with present law, the LRBP will have \$10 million more in available resources than included in executive estimates.

Status of Major Projects Previously Approved

Previous legislatures have authorized a number of major construction, repair, and maintenance projects. Below is a brief summary of the status of key projects.

Eastern Montana Veterans' Home - This project, authorized by the 1989 legislature, will be complete by January 1995. The construction was funded 65 percent with federal money and a state match of 35 percent. The state match was funded with revenue from an additional two-cent cigarette tax passed during the 1989 session. The Department of Corrections and Human Services has contracted with a private provider to operate the home; however, the home will remain the property of the state.

Women's Correctional Center - As allowed for in HB 5 of the 1993 session, a Billings-area facility was acquired to serve as the Women's Correctional Center. This facility was purchased for \$3.2 million in July 1994 -- a cost significantly lower than the \$10.1 million authorized for construction of a new facility. A construction and remodel project began November 1994 and is scheduled for completion in January 1995, for an estimated cost of \$725,000. A second project, which involves construction of additional space and some remodeling, is currently in the design phase.

Montana Developmental Center Renovation - This project consists of consolidating the institution on the north side of the river, which will require replacing some of the older buildings and abandoning those on the south side of the river. Funding for this project comes from a loan from the Montana Health Facilities Authority. The loan will be repaid with operating costs savings and increased federal participation through the medicaid program. Work on the project began in August 1994 and is scheduled to be complete by February 1996.

Libby Armory - The 1991 legislature authorized construction of the Libby Armory funded with \$400,000 of general obligation bond proceeds and approximately \$827,000 in federal funds. Construction of the armory is complete and it should be ready for occupancy in January 1995.

NMC Gymnasium Repairs - Renovation of the gym, including repair of the roof, pool area, and the classroom area in the gym, is complete.

MSU Science and Engineering Building - This project was approved by the 1991 legislature with an estimated cost of \$22 million. The majority of funding has been secured through the issuance of \$18.4 million in general obligation

Long-Range Building Program

bonds. About \$3.4 million will be raised by Montana State University through private donations. Construction began in May 1994 and is scheduled for completion in April 1996.

UofM Business Administration Building - Construction of this building began in July 1994 and is scheduled for completion in July 1996. It is designed to serve approximately 1,800 students and 78 faculty. The majority of funding was secured through the issuance of general obligation bonds in October 1994 for \$13.0 million. The University of Montana has agreed to provide \$2.3 million in private donations or other university funds.

Montana State Prison Expansion - Originally approved by the 1991 legislature, this project was greatly reduced during the 1993 session. At the request of the Department of Corrections and Human Services, the legislature approved \$5.4 million of bonding for a laundry, dairy addition, fence, and other improvements, in addition to the \$1.2 million project recommended by the Governor (which included the kitchen, vocational educational building, and bus repair facility). The laundry is intended to serve the Montana State Hospital, the Montana Developmental Center, and the prison. Construction began in August 1994 and is scheduled for completion in May 1995.

Treasure State Endowment Program

The Treasure State Endowment Program (TSEP) is a state infrastructure financing program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. The referendum was referred to the electorate by the legislature in the January 1992 special session. According to 90-6-702, MCA, the purpose of the TSEP is to assist local governments in funding infrastructure projects that will:

- 1) create jobs for Montana residents;
- 2) promote economic growth in Montana by helping to finance the necessary infrastructure;
- 3) encourage local public facility improvements;
- 4) create a partnership between the state and local governments to make necessary public projects affordable;
- 5) support long-term, stable economic growth in Montana;
- 6) protect future generations from undue fiscal burdens caused by financing necessary public works;
- 7) coordinate and improve infrastructure financing by federal, state, local government, and private sources; and
- 8) enhance the quality of life and protect the health, safety, and welfare of Montana citizens.

Infrastructure projects include: drinking water systems, wastewater treatment, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, and bridges.

Local governments submit funding applications to the Department of Commerce (DOC) on a biennial basis. TSEP applications are evaluated according to a two-step process: 1) they are ranked according to ten statutory priorities, and 2) they are ranked according to their relative financial need. The ten statutory priorities are for projects that:

- 1) solve urgent and serious public health or safety problems;
- 2) enable local governments to meet state or federal health or safety standards;
- 3) incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs;
- 4) result in a benefit to the public commensurate with the amount of financial assistance requested;
- 5) reflect greater need for financial assistance than other projects;
- 6) enable local governments to obtain funds from sources other than TSEP;
- 7) provide long-term, full-time job opportunities for Montanans;
- 8) provide public facilities necessary for the expansion of a business that has a high potential for financial success;
- 9) maintain or do not discourage expansion of the tax base; and
- 10) are high local priorities and have strong community support.

DOC funding recommendations are made on a competitive basis for applicants demonstrating serious need and limited financial capacity. The department submits a list of recommended projects to the Governor, who reviews the list and submits a list of recommended projects and recommended financial assistance to the legislature. All financial assistance awards must be approved by the legislature, as stated in Title 90, Chapter 6, Part 7 of the MCA.

Funding

In July 1993, \$10 million was transferred from the coal severance tax permanent fund to the Treasure State Endowment Trust. The trust is also to receive 25 percent of coal severance tax revenues through fiscal 2013. Funding for the program comes from investment earnings on the Treasure State Endowment Trust, which are deposited into a TSEP state special revenue account. The 1993 legislature authorized DOC to borrow money from the Board of Investments to launch the TSEP, resulting in a \$4,134,458 loan.

Table 1 shows the projected funding for the Treasure State Endowment Program for the 1997 biennium. Expenditure amounts are provided by DOC and projected revenues are based on assumptions adopted by the Revenue Oversight Committee (ROC) in November 1994. The Executive Budget recommends \$5.0 million in TSEP grant awards, based on executive revenue projections. ROC estimates for revenues to the TSEP account are \$604,780 higher.

Table 1		
Treasure State Endowment Program		
Fund Balance Projection, 1997 Biennium		
Estimated Beginning Fund Balance	\$1,483,585	
<u>Revenues</u>		
Fiscal 1996 Interest	\$2,626,962	
Fiscal 1997 Interest	<u>3,510,824</u>	
Total Funds Available		\$7,621,371
<u>Expenditures</u>		
Administration	\$525,398	
BOI Loan Repayments	<u>1,285,961</u>	
Total Expenditures		\$1,811,359
Funds Available For Grants and Loans		\$5,810,012
Less Recommended Awards		<u>(4,991,029)</u>
Projected Ending Fund Balance		<u>\$818,983</u>

Executive Budget Recommendations

Grant award recommendations to the legislature are provided in Table 2. Awards are listed in priority order and will be funded accordingly.

Table 2
Treasure State Endowment Program
1997 Biennium Project Recommendations

Rank	Applicant	Project Type	Grant Request	Grant Recommended	Cumulative Total
01	Hill County Water District	Water	\$500,000	\$500,000	\$500,000
02	East Glacier Water & Sewer District	Water	306,555	306,555	806,555
03	City of Lewistown	Water	500,000	500,000	1,306,555
04	City of Troy	Sewer	500,000	500,000	1,806,555
05	City of Conrad	Water	180,000	180,000	1,986,555
06	City of Whitehall	Water	500,000	500,000	2,486,555
07	Seeley Lake Water District	Water	464,364	464,364	2,950,919
08	City of Hamilton	Sewer	137,632	137,632	3,088,551
09	Gardiner Water District	Water	300,000	300,000	3,388,551
10	City of Kalispell	Water	270,000	0	3,388,551
11	City of Dillon	Sewer	407,500	0	3,388,551
12	City of Thompson Falls	Sewer	400,644	400,644	3,789,195
13	Butte Silver Bow Government	Sewer	500,000	500,000	4,289,195
14	Beaverhead County	Bridge	23,000	23,000	4,312,195
15	Powell County	Bridge	51,334	51,334	4,363,529
16	Town of Fairview	Water	500,000	500,000	4,863,529
17	Town of Hysham	Sewer	127,500	127,500	4,991,029
18	City of Havre	Water	500,000	0	4,991,029
19	Town of Chester	Sewer	95,350	0	4,991,029
20	Dawson County	Bridge	500,000	0	4,991,029
21	Richland County	Dam	431,250	0	4,991,029
Totals			\$7,195,129	\$4,991,029	\$4,991,029

- 1 These projects are not recommended for grants based on the determination the applicants can borrow at affordable rates.
- 2 These projects are not recommended for grants due to feasibility or technical concerns.
- 3 This project is ineligible under the TSEP enabling statute.

According to DOC, recommendations are made according to four key principles:

- 1) In compliance with the intent of the statute, the applicants' scores on the ten statutory priorities provide the rank order of applicants;
- 2) In compliance with the statutory requirement that the department and the Governor recommend the form of the TSEP financing, applicants with the capacity to borrow at affordable rates are not recommended for grant awards;
- 3) In analyzing borrowing capacity of the applicants, the department has factored in a "safety margin" so that applicants whose requests are recommended for reduction or who are denied grant awards, have adequate future borrowing capacity; and
- 4) Projects which have significant feasibility or technical issues are not recommended for funding at this time.

Oil Overcharge Funds

Oil overcharge funds are allocated to the state by the federal Department of Energy (DOE) as a result of federal court action requiring certain oil producers to pay restitution for violation of federal oil price and allocation controls that occurred between 1973 and 1981. These funds cannot be used to replace state funds and may only be used for programs authorized under federal law. The state uses the oil overcharge money to supplement state and federal programs administered by the state, in a manner consistent with federal court orders. States must use the funds to assist those who were harmed. Eligible programs include:

- 1) low income energy assistance;
- 2) low income weatherization;
- 3) institutional weatherization;
- 4) energy extension service;
- 5) state energy conservation;
- 6) highway and bridge maintenance and repair;
- 7) ride sharing;
- 8) public transportation;
- 9) residential or commercial building energy audits;
- 10) grant or loan programs for weatherizing or energy conservation equipment installation;
- 11) energy assistance;
- 12) airport maintenance or improvement;
- 13) reduction in airport user fees; and
- 14) energy conservation or energy research offices or admission.

Each biennium, agencies submit proposals to the Office of Budget and Program Planning (OBPP) for energy conservation projects and programs. These proposals are reviewed by a committee of state and local government officials, who make recommendations to the Governor. The Governor's funding recommendations are then submitted to the legislature. The Governor must sign assurances to the court and to DOE that allocated funds will be expended according to the established criteria. The director of each agency receiving oil overcharge funds is responsible for ensuring that expenditure and tracking of the funds are consistent with legislative intent and the court settlement agreements. The Department of Natural Resources and Conservation (DNRC) administers the distribution of oil overcharge funds to state agencies.

The state has received a total of \$19.3 million in oil overcharge funds with interest earnings of \$4.9 million since the program began. Of the \$24.2 million available, the state has appropriated \$23.0 million and spent \$19.2 million through fiscal 1994. Approximately \$10.2 million has been appropriated to the Department of Social and Rehabilitation Services (SRS) to fund low-income energy assistance and home weatherization programs.

Funding

Stripper well oil overcharge payments have fallen short of the amount projected for the 1995 biennium due to a delay in the settlement of litigation. Consequently, appropriations made by the 1993 legislature exceed the funds available for distribution. OBPP notified fund recipients of the shortfall in fiscal 1994, as HB 10 from the 1993 session specifies that if there are insufficient oil overcharge funds available, allocations must be reduced according to the priorities established in the bill.

DNRC estimates that \$250,000 of revenue and interest earnings to the stripper well account will be available to finance new appropriations proposed in the Executive Budget. Although additional revenues may become available as a result of future settlements, the timing and related amounts of such settlements remain highly uncertain. Unless additional payments are submitted to the state by DOE, an appropriation of \$250,000 for the 1997 biennium would result in an over-appropriation of funds.

Executive Recommendation

New Appropriations

Table 1 shows the appropriations from the oil overcharge funds contained in the executive proposal. Both appropriations are to be made from the stripper well payments deposited in a federal special revenue fund.

1) Energy Share. The first funding priority includes \$25,000 each year to SRS to provide weatherization and fuel bill assistance to persons with income below 150 percent of the federal poverty threshold as published by the U.S. Bureau of the Census. This money will be matched with private contributions to Energy Share of Montana, Inc., to assist persons who are not eligible for federally funded programs such as the Weatherization Assistance Program or the Low-Income Home Energy Assistance Program.

Table 1 Oil Overcharge Funds 1997 Biennium Stripper Well Overcharge (03199)		
Agency	Project/Funding Source	Amount
SRS	Energy Share of Montana, Inc.	\$50,000
DNRC	Institutional Conservation Program	200,000
	Total Funds	\$250,000

The recommended funding level is half of the \$100,000 appropriated for Energy Share by the 1993 legislature. According to the "Montana's Oil Overcharge Restitution Programs Report" for fiscal 1994, published by DNRC, Energy Share combined \$50,000 of oil overcharge funds with private contributions to serve 195 households.

2) Institutional Conservation Program. The second funding priority is an appropriation to DNRC up to \$200,000. This authority will be used to fund the Institutional Conservation Program (ICP) for schools and hospitals, a program administered by DNRC in accordance with federal law. ICP funds can be used to leverage nonfederal funding sources such as private sector contributions. ICP money is used to perform technical assistance studies and to fund energy efficiency projects.

The 1993 legislature also appropriated a maximum of \$200,000 for the ICP.

3) Carryover Funds. The executive proposal also includes a total of \$192,300 in reappropriated oil overcharge funds. \$86,500 is reappropriated to DNRC to fund the State Energy Conservation Program (SECP) and \$105,800 to fund the ICP.

Reappropriation

Separate legislation will be introduced to reappropriate \$100,000 of stripper well funds to DNRC for administration of the State Building Energy Conservation Program (SBECP). Funds are used for analysis, retrofit, design and program operation costs associated with energy improvements in state-owned facilities. DNRC has been granted legislative authority to issue general obligation bonds to fund energy studies and improved energy efficiency projects. Energy savings realized by state agencies are used to pay debt service obligations on the bonds. Any funds in excess of the debt service are to be transferred to the long-range building fund. This SBECP appropriation would have priority over any other new stripper well payments for the 1997 biennium.

Resource Indemnity Trust Interest Accounts

The Renewable Resource Grant and Loan Program (RRGL) and the Reclamation and Development Grant Program (RDGP) are funded with interest earned on the resource indemnity trust fund (RIT). The RIT receives income from two sources: 1) the resource indemnity and ground water assessment tax, and 2) the license tax on metalliferous mines.

The "Revenue" section in Volume I of the LFA Budget Analysis provides more detail on the allocation and expenditure of RIT proceeds and RIT trust interest.

Table 1 shows the projected revenues available for the RRGL and RDGP. Projections are based on the assumptions adopted by the Revenue Oversight Committee in November 1994.

Table 1 Renewable Resource Grant and Loan Program and Reclamation and Development Grant Program 1997 Biennium Funding (In Millions)			
RIGWAT Proceeds Projections			
	Fiscal 1995	Fiscal 1996	Fiscal 1997
RIGWAT Proceeds	\$2.980	\$3.041	\$3.030
Metal Mine Tax Proceeds	0.797	0.873	0.823
Deposits To RIT Trust	2.463	2.269	2.214
RIT Trust Balance	\$91.777	\$94.045	\$96.259
RIT Trust Investment Income Projections			
	Fiscal 1995	Fiscal 1996	Fiscal 1997
Interest Income By Fiscal Year	\$7.764	\$7.760	\$7.882
Total for 1997 Biennium			\$15.642
1997 Biennium Allocation of RIT Investment Income			
Interest Income Available		\$15.642	
Statutory Appropriations			
Environmental Contingency Account	\$0.175		
Oil & Gas Production Damage Mitigation Account	0.050		
Renewable Resource Grant & Loan Program	2.000		
Reclamation & Development Grants	3.000		
Water Storage Account	0.500		
Total		\$5.725	
Amount Available For Further Distribution			\$9.917
NOTE: Revenue projections are calculated according to the assumptions adopted by ROC.			

Renewable Resource Grant and Loan Program

This program is funded from the renewable resource grant and loan account, which was created by the 1993 legislature. The RRGL combines the former Renewable Resource Development Program, established in 1975, and the Water Development Program, established in 1981. Funds in the account are used for operation and maintenance of state-owned water projects and works, program administrative costs, and grants and loans for projects that enhance renewable resources in the state.

The purpose of the RRGL is "to enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources" (85-1-602, MCA). In accordance with statute, grants or loans may be provided to fund:

- 1) feasibility, design, research, and resource assessment studies;
- 2) preparation of construction, rehabilitation, or production plans; and
- 3) construction, rehabilitation, production, education, or other implementation efforts.

The RRGL is administered by the Department of Natural Resources and Conservation (DNRC). Renewable resource grant and loan applications are submitted on a biennial basis. DNRC and a technical review team initially evaluate each application for economic and technical feasibility, as well as to ensure proposed projects are located in Montana. Qualifying applications are then examined according to six criteria: 1) financial feasibility; 2) adverse environmental impact; 3) technical merit; 4) public benefit; 5) need; and 6) urgency. DNRC submits a list of funding recommendations to the Governor, who reviews the list and submits his/her recommendations to the legislature.

Grants and loans are made to both public entities and private persons. Loans made under the RRGL are financed with coal severance tax backed state bonds and grants are funded with RIT investment income. Based on a recommendation by the Subcommittee on SB 378, the Legislative Finance Committee will propose to the 1995 legislature creation of a single fund that would combine eight allocations of coal severance tax revenue, including appropriations to the renewable resource development bond fund. According to the recommendation, beginning in fiscal 1996 the legislature would prioritize and appropriate the available funds in this account for the eight different purposes.

Beginning in fiscal 1996, \$2 million of RIT investment income is to be deposited into the renewable resource grant and loan account for the purpose of making grants [(15-38-202(2)(a)(iii), MCA]. As Table 1 shows, \$2 million for RRGL grants is one of the specific allocations of RIT investment income provided for in statute.

In addition to regular grant and loan awards, DNRC may request up to 10 percent of the grant funds available and up to \$1 million for loans, in a biennium, to be used for emergencies [85-1-605(4), MCA]. Table 2 lists the grant and loan applications reviewed by the Governor and his recommendations for funding in priority order.

Based on present law, 36 percent of the RIT investment income available for distribution after the statutorily specific allocations are made (as shown in Table 1), is also to be used to fund RRGL grants [see 15-38-202(2)(b) and 85-1-604(3)(a), MCA]. It is likely that legislation will be introduced to amend this statute, as the department does not believe it was the legislature's intent to specifically allocate this additional income for RRGL grant awards.

Table 2
Renewable Resource Grant and Loan Program
1997 Biennium Funding Recommendations

Project Sponsor (Project Title)		Grant Request	Grant Recommended	Loan Recommended	Cumulative Grant Recommended
Department of Natural Resources and Conservation (Emergency Grants)			\$125,000		\$125,000
Department of Natural Resources and Conservation (Private Grants)			100,000		225,000
Grants and Loans to Governmental Entities					
Rank	Project Sponsor (Project Title)	Grant Request	Grant Recommended	Loan Recommended	Cumulative Grant Recommended
01	Fallon County (Lower Baker Spillway Construction and Cleaning)	\$31,743	\$15,908	\$15,835	\$240,908
02T	Conrad, City of (Reconstruct Outlet Conduit on Lake Francis East Dam)	100,000	50,000	50,000	290,908
03T	Lewistown, City of (Water System Improvements)	100,000	50,000	50,000	340,908
04	Department of Natural Resources and Conservation -- WRD (Deadman's Basin Water Quality Improvement Project)	50,000	47,919	111,081	388,827
05	Department of Natural Resources and Conservation -- WRD (Verification of PDSI for Montana)	65,000	65,000		453,827
06	Montana Tech of the University of Montana (Groundwater Protection and Education, Rural Schools)	84,560	84,560		538,387
07	Montana State University - Montana Watercourse (Preparing Citizens for Montana's Water Future)	100,000	100,000		638,387
08	Greenfields Irrigation District (Main Canal Flow Control System)	100,000	50,000	50,000	688,387
09	Lewis and Clark County (Helena Area Bedrock Aquifer Assessment)	100,000	100,000		788,387
10	Missoula County (Conservation of Riparian Areas Model Project)	100,000	100,000		888,387
11	Thompson Falls, City of (Water Engineering Study)	51,820	51,820		940,207
12	Bozeman, City of (Separator Waste Collection Facility)	50,000	50,000	158,850	990,207
13	Governor's Office - Flathead Basin Commission (Flathead Lake-Watershed Management Plan)	100,000	100,000		1,090,207
14	Department of Natural Resources and Conservation -- WRD (Flint Creek Return Flow Study)	100,000	100,000		1,190,207
15	Richland County (Lone Tree Dam Rehabilitation)	100,000	50,000	50,000	1,240,207
16	Mile High Conservation District (Effects of Land Uses on Montana's Salinized Lands)	99,933	99,933		1,340,140
17	Butte-Silver Bow Local Government (Big Hole River Water Transmission Line Replacement)	100,000	50,000	50,000	1,390,140
18	Montana Tech of the University of Montana (Hydrologic Evaluation, Florence and Seeley Lake)	95,422	95,422		1,485,562
19	Park Conservation District (Soil Survey on Rangelands and Forestlands / Park County)	100,000	100,000		1,585,562
20	Chouteau and Fergus Counties (PN Bridge - Campground)	99,651	27,892	71,759	1,613,454
21	Libby Area Conservancy District (Libby-Granite-Cherry Creek Flood Control Plan)	35,000	35,000		1,648,454
22	Montana Historical Society (PLACES Master Plan For Rec. Enhance. in German Gulch)	100,000	100,000		1,748,454
23	Department of Fish, Wildlife and Parks (Assessment of Aquatic Resources in the Blackfoot Basin)	100,000	100,000		1,848,454
24	Hidden Lake Water District (Hidden Lake Irrigation Water System)	34,898	34,898	104,695	1,883,352
25	Kalispell, City of (North Side Water Well Project)	50,000	50,000		1,933,352
26	Yellowstone County (Metra Park Enhancement)	100,000	50,000	50,000	1,983,352
27T	Hysham, Town of (Sewer System Improvements)	100,000	50,000	50,000	2,033,352
28T	Fairview, Town of (Water System Improvements)	100,000	50,000	50,000	2,083,352
29	Madison Conservation District (Willow Creek Water Resource Management System)	56,886	56,886		2,140,238

Table 2 (Continued)
Renewable Resource Grant and Loan Program
1997 Biennium Funding Recommendations

Rank	Project Sponsor (Project Title)	Grant Request	Grant Recommended	Loan Recommended	Cumulative Grant Recommended
30	Manhattan, Town of (Manhattan Water System)	100,000	50,000	50,000	2,190,238
31	Granite Conservation District (Upper Clark Fork River Basin Water Management Plan)	86,120	86,120		2,276,358
32	Jackson Water and Sewer District (Geothermal Development Feasibility Study)	100,000	27,500	72,500	2,303,858
33	Sun River Water Users Association (Sun River Water System)	100,000	50,000	50,000	2,353,858
34	Lincoln Lewis and Clark Sewer District (Lincoln Wastewater System Study and Upgrade)	100,000	4,800		2,358,658
	Butte-Silver Bow Local Government (Montana Recreation Hotline)	99,833	0		2,358,658
	Dawson County (Bell Street Bridge)	100,000	0		2,358,658
	Fort Shaw Irrigation District (“A” System Diversion)	50,000	0		2,358,658
	Fort Shaw Irrigation District (Rehabilitation and Betterment Study)	50,000	0		2,358,658
	Totals	\$3,190,866	\$2,358,658	\$1,034,720	\$2,358,658
<u>Coal Severance Tax Loans</u>					
T	Hill County Water District (Water Treatment System)			295,000	
T	Whitehall, Town of (Water System Improvements)			400,000	
				695,000	
	Total Loans Recommended			\$1,729,720	
T	-- Applied to Treasure State Endowment Program				

Reclamation and Development Grant Program

The RDGP was established by the 1987 legislature:

to fund projects that indemnify the people of the state for the effects of mineral development on public resources and that meet other crucial needs serving the public interest and the total environment of the citizens of Montana (90-2-1102, MCA).

As provided in statute, the purposes of the Reclamation and Development Grant Program are to:

- 1) repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction; and
- 2) develop and ensure the quality of public resources for the benefit of all Montana citizens.

The RDGP is also administered by DNRC, which solicits, evaluates, and ranks each application on a biennial basis. Applications are evaluated according to specific criteria related to: 1) public benefit; 2) need and urgency; 3) appropriateness of technical design; 4) financial feasibility; and 5) project management/organization. DNRC forwards a list of recommendations to the Governor, who reviews the list and submits funding recommendations to the legislature.

The 1993 legislature statutorily designated \$3 million in RIT investment income for RDGP grants [(15-38-202(2)(a)(iv), MCA)]. This amount is reflected in Table 1. Additional grants may be funded from the renewable resource grant and loan account as funds become available. Table 3 lists the Governor's funding recommendations to the legislature, by priority ranking.

Table 3
Reclamation and Development Grant Program
1997 Biennium Funding Recommendations

Rank	Project Sponsor (Project Title)	Amount Requested	Amount Recommended	Cumulative Total Recommended
01	Department of Natural Resources and Conservation (Abandoned Mine Reclamation Project)	\$300,000	\$300,000	\$300,000
02	Montana Board of Oil and Gas Conservation (Devil's Basin: Plug, Abandonment, and Restoration)	300,000	300,000	600,000
03	Montana Board of Oil and Gas Conservation (South Cut Bank Field - A : Plug, Abandonment, and Rest.)	300,000	300,000	900,000
04	Montana Board of Oil and Gas Conservation (South Cut Bank Field - B : Plug, Abandonment and, Rest.)	300,000	300,000	1,200,000
05	Department of State Lands (Oil Well Abandonment)	183,260	183,260	1,383,260
06	Lewis & Clark County / City of Helena (Tenmile Mine Site Reclamation Project)	300,000	100,000	1,483,260
07	Montana State University (Clean Tailings Reclamation)	299,039	150,000	1,633,260
08	Cascade County Conservation District (Muddy Creek Water Quality Improvement)	300,000	300,000	1,933,260
09	Department of Health and Environmental Sciences (Nonpoint Pollution Control)	300,000	300,000	2,233,260
10	Butte-Silver Bow Local Government (Upper Clark Fork Basin: Superfund Tech. Assist.)	93,622	93,622	2,326,882
11	Department of Health and Environmental Sciences (Superfund GIS)	241,548	171,548	2,498,430
12	Glacier County Conservation District (Comprehensive Evaluation of Groundwater, Red River)	157,424	157,424	2,655,854
13	Toole County (North Toole County Reclamation Project)	295,246	295,246	2,951,100
14	Department of State Lands (Scobey Reclamation Site)	11,000	11,000	2,962,100
15	Carbon County (Dry Hydrant Demonstration)	133,000	133,000	3,095,100
16	Petroleum County Conservation District (Petroleum County Artesian Basin Groundwater Project)	300,000	300,000	3,395,100
17	Butte-Silver Bow Local Government (Travona Mineyard Preservation and Enhancement)	248,710	168,740	3,563,840
18	Town of Walkerville (Walkerville Parks and Rec. Project)	103,200	103,200	3,667,040
19	Jefferson Valley Conservation District (Remote Mine Site Demonstration Project)	65,558	65,558	3,732,598
20	Department of State Lands (Expansion of the DSL GIS)	124,377	124,377	3,856,975
21	Eastern Sanders Conservation District (Plains Area Recreational Center - PARC)	153,600	153,600	4,010,575
	Libby Area Conservancy District (Libby-Granite-Cherry Creek Flood Control Plan)	35,000	0	4,010,575
	Mile High Conservation District (Accelerated Soil Survey: Silver Bow County)	282,240	0	4,010,575
	Montana Tech of the University of Montana (Iron Oxidation and Transport at the Bullion Mine)	64,397	0	4,010,575
	Walkerville, Town of (Reclamation of the Marget Ann Claim Block)	300,000	0	4,010,575
	Totals	\$5,191,221	\$4,010,575	\$4,010,575

* Minimum Funding for RDGP is \$3,000,000.

Cultural and Aesthetic Grant Program

The Cultural and Aesthetic Grant Program, which is administered by the Montana Arts Council (MAC), is funded by the interest from a non-expendable trust which receives coal severance tax revenues. By statute, the interest from the Cultural Trust is to be appropriated for protection of works of art in the state capitol and other cultural and aesthetic projects [15-35-108(3)(j), MCA].

Grant applications for cultural and aesthetic projects are submitted to MAC on a biennial basis. Eligible applicants include the state of Montana, regional, county, city, town or Indian tribal governments. A 16-member Cultural and Aesthetic Projects Advisory Committee (CAPAC), with eight members appointed by the Montana Arts Council and eight appointed by the Montana Historical Society, reviews each application. CAPAC prioritizes the requests and makes funding recommendations to the legislature as part of the Executive Budget. All grants require legislative approval in accordance with Title 22, Chapter 2, Part 3 of the MCA.

Table 1 details the history of the cultural and aesthetic grant account. The Executive Budget recommendation for the 1997 biennium is also provided.

Table 1
History of Cultural and Aesthetic Grant Account

Biennium	Appropriated	Expended	Projects
1979	\$50,000	\$50,000	1
1981	140,000	140,000	3
1983	641,680	602,042	15
1985	823,479	810,704	39
1987	1,476,511	1,414,114	63
1989	1,211,817	1,099,290	53
1991	1,298,788	1,184,661	65
1993	1,551,323	1,531,239	88
1995	1,706,735	N/A	93
1997	909,832 *	N/A	68*

*Recommended by CAPAC.

Funding

Table 2 shows the projected funding for the Cultural and Aesthetic Grant Program for the 1997 biennium. The administrative expenditures provided are based on present law and do not include any new proposals. Revenue estimates shown in Table 2 are calculated according to assumptions adopted by the Revenue Oversight Committee (ROC). These estimates, combined with present law expenditures, result in a negative projected ending fund balance of \$16,077.

The Executive Budget proposes a funding switch from the cultural and aesthetic grant account to the general fund, for a total of \$60,719 per fiscal year, for the Rural Arts and Folklife Programs. If these proposals are accepted, the projected ending fund balance would be a positive \$105,361.

Table 2
Cultural & Aesthetic Grant Program
Fund Balance Projection, 1997 Biennium

Estimated Beginning Fund Balance	(\$155,046)	
<u>*Revenues</u>		
Fiscal 1996 Interest	\$512,082	
Fiscal 1997 Interest	<u>525,983</u>	
Total Funds Available		\$883,019
<u>Expenditures</u>		
Administration	\$264,206	
Capitol Mural Restoration	15,000	
Grants	<u>619,890</u>	
Total Expenditures		<u>\$899,096</u>
Projected Ending Fund Balance		<u>(\$16,077)</u>
*Based on assumptions adopted by ROC.		

Recommendations

The grant requests considered by CAPAC are listed in Table 3. Specific grant categories are established by statute, and CAPAC has prioritized their recommendations within each group. All grant requests are shown and a cumulative total is provided in the right-hand column.

Table 3
Cultural & Aesthetic Grants, 1997 Biennium
CAPAC Recommendations

Rank	Grant Number	Sponsor	Grant Request	CAPAC Recommendation	Cumulative Total
Special Projects - \$4,500 or Less					
01	619	Garden City Ballet Company	\$4,500	\$3,410	\$3,410
02	663	Montana Preservation Alliance	4,400	3,900	7,310
03	676	Carbon County Historical Society	4,135	2,920	10,230
04	640	Montana Agricultural Center & Museum	3,800	3,410	13,640
05	639	Montana Players, Inc.	4,500	3,240	16,880
06	631	Schoolhouse History & Art Center	4,500	0	16,880
07	633	Clack Museum Foundation	3,900	0	16,880
Special Projects					
01	625	Montana Committee for Humanities	\$50,000	\$24,370	\$41,250
02	632	Western Heritage Center	9,906	9,260	50,510
03	666	Vigilante Theatre Company	25,000	9,750	60,260
04	675	Northern Lights Institute	15,000	13,650	73,910
05	636	Montana Historical Society-Campbell	19,000	29,250	103,160
06	662	Montana Arts Foundation	40,000	19,500	122,660
07	655	Montana Arts Council - Tribal Art	20,000	9,750	132,410
08	624	Writer's Voice of Billings YMCA	20,412	9,750	142,160
09	664	Montana Performing Arts Consortium	65,000	21,450	163,610
10	656	Hockaday Center for the Arts	20,000	9,750	173,360
11	626	Alberta Bair Theater	30,000	7,310	180,670
12	620	MSU Libraries	6,915	4,870	185,540
13	668	Montanans for Quality TV	9,344	5,850	191,390
14	694	Metis Cultural Recovery, Inc.	20,000	9,750	201,140
15	688	Hellgate Writers, Inc.	28,660	9,750	210,890
16	689	Young Audiences of Western MT	10,750	5,850	216,740
17	683	Rattlesnake Productions, Inc.	50,000	14,620	231,360
18	645	Aleph Movement Theatre, Inc.	28,000	8,770	240,130
19	642	Montana Historical Society-State Wide	72,973	8,770	248,900
20	627	Missoula Community Access TV	7,722	3,900	252,800
21	674	MonDak Historical & Arts Society	2,500	2,240	255,040
22	658	MSU KGLT-FM	12,584	7,800	262,840
23	672	MSU Montana Public Television	89,450	15,600	278,440
24	693	Paris Gibson Square Museum of Art	7,399	3,410	281,850
25	695	Very Special Arts Montana	10,300	3,900	285,750
26	622	Copper Village Museum & Arts	23,000	7,800	293,550
27	660	UM Montana Transport Company	8,324	3,900	297,450
28	673	Bozeman Public Library	19,639	7,800	305,250
29	623	Helena Art Center	15,000	4,870	310,120
30	635	Helena Symphony Society	6,600	2,920	313,040
31	690	Beall Park Art Center	6,000	1,950	314,990
32	705	Butte Symphony Orchestra	12,000	4,880	319,870
33	641	Northern Showcase	3,849	2,920	322,790
34	704	Montana Indian Contemporary Arts	21,000	6,820	329,610
35	708	Glacier Orchestra & Chorale, Inc.	18,000	4,870	334,480
36	650	Fort Belknap College	13,000	5,850	340,330
37	643	Missoula Symphony Association	9,245	0	340,330
38	659	Missoula Cultural Council	22,190	0	340,330
39	681	Montana Ballet Company, Inc.	9,810	0	340,330
40	692	Great Falls Symphony Association	13,000	0	340,330
41	707	Montana Assn. Symphony Orchestras	60,000	0	340,330
42	680	Bozeman Symphony Orchestra	2,700	0	340,330
43	697	College of Great Falls	4,500	0	340,330
44	699	Emerson Cultural Center	10,125	0	340,330
45	686	Billings Symphony Society-Spel Proj	7,800	0	340,330
46	669	MSU Art Department	8,707	0	340,330
47	679	Big Horn Arts & Crafts Association	16,375	0	340,330
48	671	MSU Department Media & Theatre Arts	39,624	0	340,330
49	677	Butte Family YMCA	9,757	0	340,330

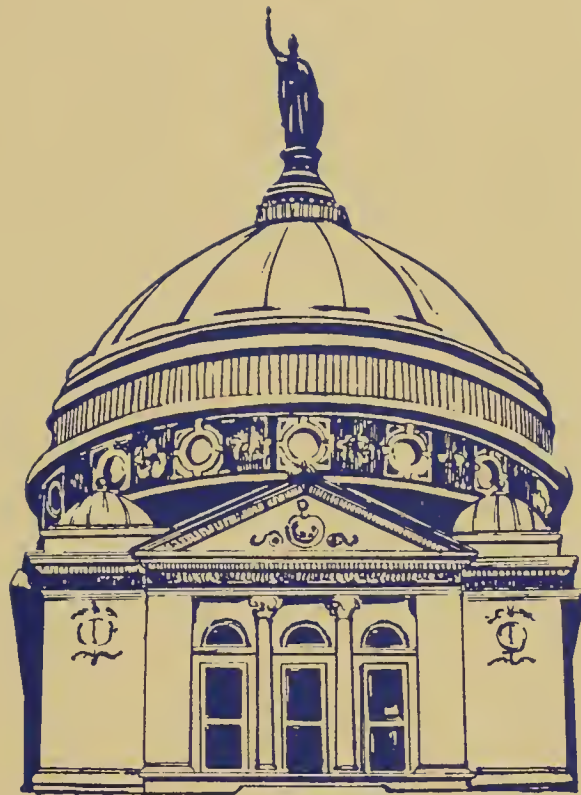
Table 3 (Continued)
Cultural & Aesthetic Grants, 1997 Biennium
CAPAC Recommendations

Rank	Grant Number	Sponsor	Grant Request	CAPAC Recommendation	Cumulative Total
<u>Operational Support</u>					
01	648	MSU Shakespeare in the Parks	\$32,000	\$26,320	\$366,650
02	634	Helena Presents	55,000	19,500	386,150
03	618	Montana Art Gallery Directors Assn.	35,000	19,500	405,650
04	696	Custer County Art Center	35,754	14,620	420,270
05	703	Montana Alliance for Arts Education	18,000	4,870	425,140
06	698	Livingston Depot Foundation	14,000	4,870	430,010
07	665	Montana Dance Arts Assn.	6,000	4,870	434,880
08	629	Growth Thru Art, Inc.	27,270	4,870	439,750
09	617	UM Montana Repertory Theater	40,000	15,600	455,350
10	646	Coordinator of Indian Affairs	14,880	0	455,350
11	637	Montana Chorale	16,800	0	455,350
<u>Capital Expenditure</u>					
01	667	Indian Monument	\$200,000	\$29,250	\$484,600
02	647	Butte Center for Performing Arts	50,000	14,620	499,220
03	706	Fort Peck Fine Arts Council	7,750	4,870	504,090
04	644	Yellowstone Art Center	60,000	14,620	518,710
05	685	Butte-Silver Bow Arts Foundation	86,450	14,620	533,330
06	684	Missoula Children's Theatre	75,000	14,620	547,950
07	628	Garnet Preservation Association	5,000	3,900	551,850
08	638	Archie Bray Foundation	40,637	14,620	566,470
09	700	Arlee Historical Society, Inc.	2,700	2,440	568,910
10	702	CM Russell Museum	25,000	3,900	572,810
11	651	Historical Museum at Fort Missoula	5,789	3,410	576,220
12	670	Prairie Winds Arts Council	25,000	6,820	583,040
13	652	Culbertson High School	3,162	0	583,040
14	649	Beaverhead Development Corp.	8,100	0	583,040
15	678	Blaine County Wildlife Museum	15,000	0	583,040
16	654	Gallatin County Historical Society	9,400	0	583,040
17	630	Three Forks Area Historical Society	550	0	583,040
<u>Endowment Development</u>					
01	701	Billings Preservation Society	\$10,000	\$4,390	\$587,430
02	682	Billings Studio Theatre	16,000	7,020	594,450
03	621	Clack Museum Foundation	13,150	5,700	600,150
04	653	Gallatin County Historical Society	10,000	4,390	604,540
05	691	Great Falls Symphony Association	25,000	8,770	613,310
06	687	Billings Symphony Society	15,000	6,580	619,890
07	709	Glacier Orchestra & Chorale, Inc.	30,000	0	619,890
08	657	Hockaday Center for the Arts	20,000	0	619,890
Totals			\$2,114,287	\$619,890	\$619,890

LFA Issue

During the 1995 biennium, investment earnings for the Cultural Trust have fallen short of the revenues projected due to lower interest rates and adverse financial market conditions. Consequently, MAC reduced the funding for a portion of the approved grants, as well as funding for administrative costs. To avoid further grant reductions, the Executive Budget proposes using \$135,000 of fiscal 1996 investment earnings to help fund remaining 1995 biennium appropriations. This proposal raises three concerns:

- 1) Even if the executive's proposed funding switch for the Rural Arts and Folklife Programs to the general fund is accepted, there would not be sufficient funds available to appropriate \$619,890 in grants for the 1997 biennium and appropriate \$135,000 in fiscal 1996 investment earnings for fiscal 1995 expenditure. With the funding switch, these appropriations would result in a negative projected ending fund balance of \$29,639. Without the funding switch, these appropriations would result in a fiscal 1997 projected ending fund balance of a negative \$151,077.
- 2) Appropriating fiscal 1996 investment earnings for fiscal 1995 funding purposes would result in fewer grants being awarded to new applicants. Due to cash flow restrictions, an appropriation of fiscal 1996 revenues for fiscal 1995 expenses would require MAC to obtain an inter-entity loan from the general fund. Moreover, such an appropriation may set a precedent for future funding shortfalls.
- 3) Legislation proposed by the executive branch for appropriating cultural and aesthetic grant awards calls for funding to be prorated among the recipients in the case of insufficient funding. A more optimal approach may be to fund grants on a priority basis as funding becomes available, rather than risk the need to reduce all awards and potentially disrupt projects in progress.



REFERENCE

BUDGET BASICS

This section provides an overview of the basic budget concepts, definitions of budget terms, and background and reference information pertinent to the 1997 biennium budget.

HB 7 - Revised Budget Process

Prior to the November 1993 Special Session, Montana statute required that the director of the Office of Budget and Program Planning (OBPP) include "the current funding level and the modified funding level, if any" for each program in state government. "Current funding level" was defined as "that level of funding required to maintain operations and services at the level authorized by the previous legislature, after adjustment for inflation". "Modified funding level" was defined to reflect "workload increases, the provision of new services, or changes in authorized funding". Statute further required that the director submit his budget to the LFA no later than December 1.

Partly due to timing considerations, the LFA analysis consisted primarily of the development of a separate "current level" budget option. Changes from base year expenditures were always delineated in both the LFA and Executive Budget "current levels". However, legislative scrutiny was primarily directed toward differences between the LFA and Executive Budget "current levels", rather than toward increases (or decreases) from the base. Base changes received little scrutiny from the legislature.

HB 7 made two primary changes: 1) redefinition of certain budget terms, with emphasis on a three tier budget presentation; and 2) adjustment of statutory budget submission dates. The emphasis on a three tier budget presentation more specifically directs the type of budget information that must be provided to the legislature, and provides the legislature the opportunity to use the base budget as the starting point for legislative review, as opposed to "current level".

Budget Terms

HB 7 required that budgets be submitted in three tiers to allow legislative scrutiny of all stages of budget development:

1) the base - which is defined as the level of funding authorized by the previous legislature. The base and how it is derived is discussed more detail in the "Base Budget" narrative in this section, page Reference.

2) present law - which is defined as that additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to legally mandated workload, caseload, or enrollment changes; changes in funding requirements; inflationary or deflationary adjustments; and elimination of one-time appropriations. Present law essentially mirrors the previous "current level"; and

3) new proposals - which are defined as requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding.

Both the Executive Budget and the LFA 1997 Biennium Analysis are presented in this format.

Submission Dates

As stated, the director of OBPP was formerly required to submit the Executive Budget to the LFA by December 1. The director is now required to submit a preliminary budget reflecting the base budget by October 10, and a preliminary budget reflecting a present law base by November 1. The director is further directed to submit an entire preliminary budget by November 15. As a result, the LFA no longer determines a "current level". Instead, the LFA provides a more detailed and comprehensive analysis of the Executive Budget, as well as other policy issues.

An additional change that was not explicitly required in HB 7 but was apparent from debate on the bill, is that the basis for comparison of budget changes is the base biennium budget as opposed to "current level".

BUDGET BASICS

Types of Legislative Appropriations

Article VIII, Section 14, of the Montana Constitution reads:

Prohibited Payments. Except for interest on the public debt, no money shall be paid out of the treasury unless upon an appropriation made by law and a warrant drawn by the proper officer in pursuance thereof.

In 17-7-501, MCA, there are three types of appropriations within the meanings of "appropriation made by law" as used in Article VIII, Section 14, of the Montana Constitution. These are:

- 1) temporary appropriations enacted by the legislature as part of designated appropriations bills or sections designated as appropriations in other bills;
- 2) temporary appropriations made by valid budget amendment; and
- 3) statutory appropriations made by permanent law that authorize spending by a state agency without the need for a temporary legislative appropriation or budget amendment. These statutory appropriations are listed in 17-7-502, MCA.

Base Budget

The Executive Budget used actual fiscal 1994 expenditures as recorded on the Statewide Budgeting and Accounting System (SBAS) as the base for determining a present law budget for the 1997 biennium. Certain items were then excluded from actual expenditures in order to create a base that reflects only: 1) the cost of ongoing programs or functions approved by the last legislature; and 2) expenditures authorized by the legislature. OBPP and LFA staff reached agreement on virtually all expenditures that would be removed from the base. The LFA analysis provides an explanation in any program in which a base difference remains.

Table 1 shows the categories of expenditures that were excluded from the actual fiscal 1994 expenditures and the amount in each category. As this table shows, \$1.1 billion in expenditures were not included in the present law base. Using the definitions that follow, actual

expenditures associated with certain categories of appropriation authority were excluded.

Table 1
Adjustments to Actual Expenditures
FY 1994

Actual Expenditures	\$2,814,460,049
Appropriation Transfers	293,233
Budget Amendments	8,507,913
One-Time Appropriations	14,688,742
Language Appropriations	50,644,348
Non-Budgeted Expenditures	127,742,079
Statutory Appropriations	840,806,621
Other	29,643,713
Total Adj. to Actual Exp.	\$1,072,326,649
Total Fiscal 1994 Base	* \$1,742,133,400

*Includes \$117,019,933 of appropriation transfers in the Office of the Commissioner of Higher Education.

Following is an explanation of each type of expenditure category excluded from the base:

Appropriation Transfers

Section 17-7-301, MCA, allows the Governor to authorize the transfer of funds appropriated for the second year of the biennium to the first if the Governor finds that "due to an unforeseen or an unanticipated emergency" the amount appropriated for the first year of the biennium "will be insufficient for the operation and maintenance of a department." Since these transfers did not result from legislative action and may be for one-time costs, these transfers are excluded from the base. However, if the transfer funds an ongoing cost, OBPP adjusted the present law budgets for the next biennium accordingly.

Budget Amendments

Budget amendments provide temporary authority for agencies to spend unanticipated non-general fund revenue received after the legislature adjourns to provide additional services. In accordance with 17-7-

BUDGET BASICS

402, MCA, budget amendment authority terminates at the end of each biennium and can make no "ascertainable present or future significant commitment for increased general fund support." Expenditures financed through budget amendments are excluded from the base. If an agency wishes to continue an activity financed with a budget amendment in the next biennium, the request must be presented as a new proposal.

One-Time Appropriations

In general, miscellaneous or "cat and dog" appropriations (appropriations made in bills other than the general appropriations act) are considered "one-time" and not continued in the base. The legislature may also specify in appropriation acts that an appropriation is not intended to be ongoing and may not be included in the base.

Language Appropriations

In appropriation acts, the legislature may authorize expenditure of funds from a specific source without providing a specific dollar appropriation. Language appropriations are generally used when an agency knows that it will be receiving federal or state special revenue funds but is uncertain as to the amount. In order to be sanctioned by law as an appropriation, the statute must fix at least a maximum amount that the appropriations may not exceed. Assuming that ongoing expenditures from these sources will again be authorized through language, the expenditures are excluded from the base.

Non-Budgeted Expenditures

Generally Accepted Accounting Principles (GAAP) require agencies to make accounting entries for depreciation, amortization, and other financial transactions that show as expenditures but don't actually result in expenditure of funds from the state treasury.

Statutory Appropriations

Section 17-7-501, MCA, provides that funds may be appropriated in permanent law, rather than through appropriation bills, which are effective for only one biennium. In order for a statutory appropriation to be

valid, the statute creating the appropriation must specifically state that it is a statutory appropriation and the statute must be listed in section 17-7-502, MCA. Currently, there are over 90 valid statutory appropriations listed in that section. Examples of statutory appropriations include: personal property reimbursements made to local governments and schools and motor fuel tax revenues distributed to counties.

Other Appropriations

This category includes administrative appropriations created by OBPP, continuing appropriations from previous years, internally offsetting adjustments to appropriations, and miscellaneous appropriations made in Senate bills.

A companion volume to the 1997 Biennium Budget Analysis includes detailed explanations about the adjustments reflected in the fiscal 1994 base for each agency, as well as total adjustments to appropriations for fiscal 1995.

Table 2 shows the adjustments made to actual expenditure levels to determine the base for each agency.

BUDGET BASICS

Table 2
Adjustments to Actual Expenditures*
Fiscal 1994 Base

ALL ADJUSTMENTS TO ACTUALS FISCAL 1994*	Approp. Transfers	Budget Amends.	Cat & Dogs OTO	Language	Non-Budgeted	Statutory	Other	Base
*Includes act exp crossed over to lang and stat cv								
1101 Legislative Auditor	\$0	\$0	\$63,884	\$0	\$0	\$0	\$0	\$2,522,670
1102 Legislative Fiscal Analyst	0	0	8,139	1,619	0	0	8,086	768,231
1104 Legislative Council	0	0	101,894	57,077	0	0	140,493	2,600,328
1109 Legislature-Senate	0	0	199,189	0	0	0	193,416	0
1110 Legislature-House	0	0	392,885	0	0	0	291,254	0
1111 Environmental Quality Council	0	0	0	0	0	0	0	286,712
1112 Consumer Counsel	0	0	0	0	0	0	0	865,919
2110 Judiciary	0	0	17,529	0	0	3,842,147	0	5,892,617
2115 Mt. Chiropractic Legal Panel (Stat. Only)	0	0	0	0	0	8,842	0	0
3101 Governors Office	0	0	4,056	0	0	271,933	51,886	2,395,109
3201 Secretary Of States Office	0	0	0	0	12,666	0	0	1,657,788
3202 Commissioner Of Political Prac	0	0	0	0	13,299	0	0	126,627
3401 State Auditors Office	0	0	168,598	0	2,596	22,879,344	0	2,995,578
3501 Office Of Public Instruction	0	128,080	440,251	1,237,778	24,464	401,474,690	51,589	108,660,195
3511 Msu-Billings College Of Tech	0	34,000	0	0	(66,634)	0	0	2,155,014
3512 Butte College of Technology	0	64,400	0	0	(10,900)	0	0	1,689,027
3513 Msu College Of Technology - Gf	0	75,386	0	0	(2,490)	0	0	2,532,861
3514 Helena College Of Technol.-UM	0	0	0	0	(69,175)	0	0	2,635,124
3515 College Of Technology, UM-Msla	0	0	0	0	35,752	0	47,677	2,876,147
4107 Crime Control Division	0	30,849	17,478	0	0	573,651	324,243	4,545,305
4108 Highway Traffic Safety	0	0	0	0	0	0	0	1,145,590
4110 Department Of Justice	13,315	150,520	1,337,353	0	30,222	22,278,195	142,806	32,223,142
4201 Public Service Regulation	0	0	86,517	0	0	0	0	2,099,407
5101 Board Of Public Education	0	0	0	0	0	71,560	0	197,792
5102 Commissioner Of Higher Ed	0	23,382	32,090	0	7,851	508,220	4,667	153,742,457
5103 University Of Montana	0	1,602,149	0	0	(286,454)	204,442	660,000	51,942,611
5104 Montana State University	0	499,627	0	0	(216,108)	0	1,300,810	54,356,082
5105 Montana Tech Of The U Of M	0	65,244	0	0	193,003	0	15,000	13,030,744
5106 Montana State Univ. - Billings	0	0	0	0	120,176	0	160,675	16,414,057
5107 Northern Montana College	0	92,677	0	0	296,283	0	20,704	8,901,228
5108 Western Montana College	0	104,684	0	0	70,805	0	22,748	5,331,318
5109 Agricultural Exper Station	0	171,275	0	0	(15,233)	0	9,038	10,071,315
5110 Extension Service	0	0	0	0	49,583	0	0	4,965,579
5111 Forestry & Cons Exper Station	0	0	0	0	0	0	0	684,610
5113 School For The Deaf & Blind	0	36,538	43,326	4,076	0	0	0	2,799,970
5114 Montana Arts Council	0	124,398	484,769	0	0	0	53,965	864,486
5115 Library Commission	0	8,170	6,002	0	0	0	344,711	2,276,361
5116 Vocational Education Council	0	0	0	0	0	0	0	153,512
5117 Historical Society	0	62,374	0	0	(12,331)	98,464	110,801	2,526,305
5119 Fire Services Training School	0	0	0	0	4,490	0	0	244,532
5201 Dept Of Fish, Wildlife & Parks	0	0	1,749,037	0	451,341	1,092,132	2,308,638	32,085,892
5301 Dept Health & Environ Sciences	0	1,426,036	619,733	0	3,724,590	3,484,294	318,500	47,073,613
5401 Department Of Transportation	0	22,853	701,706	0	1,098,589	35,002,222	483,815	318,530,910
5501 Department Of State Lands	279,918	64,586	417,104	0	23,452	37,109	361,161	19,628,217
5603 Department Of Livestock	0	0	0	0	0	0	0	5,387,924
5706 Dept Nat Resource/Conservation	0	23,375	1,246,155	1,418	868,632	56,581	880,928	11,244,829
5801 Department Of Revenue	0	0	311,424	48,027,111	368,362	61,554,621	444,842	22,766,883
6101 Department Of Administration	0	224,564	356,127	1,287,614	1,349,644	52,407,411	179,169	42,252,131
6103 State Compensation Ins. Fund	0	0	0	0	76,266,103	201,192,983	0	9,902,731
6104 Public Employees Retirement Bd	0	0	36,500	0	0	0	0	1,112,988
6105 Teachers Retirement Board	0	0	0	0	0	0	0	649,069
6107 Long-Range Building	0	52,885	1,593,303	10,850	0	110,169	14,452,360	0
6201 Department Of Agriculture	0	61,088	61,698	0	38,822	2,315,964	59,852	8,142,139
6401 Corrections & Human Services	0	427,255	464,108	16,805	(33,076)	999,984	1,787,059	91,133,982
6501 Department Of Commerce	0	43,000	436,995	0	43,362,533	29,690,720	254,019	57,157,633
6602 Labor & Industry	0	2,064,299	2,208,360	0	(109,296)	460,396	1,648,673	39,084,135
6701 Dept Of Military Affairs	0	0	0	0	9,966	190,547	1,532	6,175,838
6901 Dept Social & Rehab Services	0	689,054	150,000	0	140,532	0	576,879	467,556,023
6911 Department Of Family Services	0	135,165	931,932	0	0	0	1,931,717	53,072,113
TOTALS	\$293,233	\$8,507,913	\$14,688,742	\$50,644,348	\$127,742,079	\$840,806,621	\$29,643,713	\$1,742,133,400

*Does not include \$117,019,933 of appropriation transfers in the Office of the Commissioner of Higher Education.

BUDGET BASICS

Entitlement and Formula-Funded Programs

Under current state and federal law, certain programs are "entitlement" and projected growth or declines in these programs are funded as part of the present law budget, rather than through a new proposal. For example, the legislature has established statutory levels of state foundation support for each child enrolled in Montana public schools. Similarly, federal and state laws require that persons eligible for medicaid or Aid for Dependent Children (AFDC) receive specified services or grants. The programs treated as entitlement are: foundation program, medicaid, AFDC, general assistance, foster care, and AFDC-related day care.

In recent years, the legislature has used an enrollment-driven formula to determine funding for the university units, colleges of technology, and state support for community colleges. The legislature used a formula to fund the colleges of technology and community colleges in the 1995 biennium, but used an incremental approach to fund the six university units. The executive did **not** use the formula in determining the Executive Budget recommendations for the university units, colleges of technology or state assistance for community colleges in the 1997 biennium. A further discussion is included in subsection E of the "Agency Budget Analysis" section.

Personal Services "Snapshot"

Personal services costs comprise almost 43 percent of total agency operating expenditures (excluding capital outlay, grants and benefits, and transfers in the 1997 biennium Executive Budget).

The Executive Budget is based on a "snapshot" of actual salaries for authorized FTE as they existed in the last pay period of fiscal 1994. The executive includes annualization of the 1.5 percent pay increase awarded in the second half of the fiscal 1995, as well as the \$20 per month increase in insurance contributions.

Workers' Compensation and Unemployment Insurance rates vary from agency to agency. Each agency has a different rate based on its own experience. Fiscal 1995

rates were adjusted to project fiscal 1996 and fiscal 1997 levels based on advice provided by representatives of the State Mutual Insurance Compensation Fund and the Department of Labor and Industry.

Vacancy Savings

Vacancy savings is the difference between the full cost and the actual cost of authorized employee positions during a budget period. Since 1979, the legislature has periodically applied a vacancy savings factor to agency budgets in recognition of the fact that staff turnover and vacancies often result in personal services expenditures that are lower than the amounts appropriated.

The 1989 Legislature did not apply a vacancy savings factor for the 1991 biennium budgets. Instead, it included language in House Bill 100 prohibiting agencies from expending funds appropriated for personal services in any other category (with certain limited exceptions). Although OBPP did not establish any procedure to monitor and verify the expenditure of personal services funds, it estimated that \$6 million of general fund appropriated for personal services was reverted in fiscal 1990.

During the 1991 regular session, the legislature applied vacancy savings rates for agencies ranging from 0 percent (for agencies with 20 or fewer FTE and university and colleges of technology faculty) to 4 percent. In the January and July special sessions, the legislature reduced vacancy savings rates for some agencies and increased vacancy savings rates for other agencies. In addition, the legislature imposed general budget reductions, which many agencies met by holding positions vacant.

The 1993 legislature applied vacancy savings rates of 5 percent on all non-federally funded personal services, with the exception of the Montana University System (except CHE) and certain other positions, such as direct care workers. The legislature also added contingency funds, equal to 10 percent of general fund and 20 percent of other funds vacancy savings, to the Department of Administration (DofA). The funds were for distribution to agencies that did not experience the anticipated vacancy savings. The Executive Budget contains vacancy savings in the 1997 biennium among

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selected agencies and programs within agencies in order to fund the executive pay plan. A further discussion of the pay plan is included in the "Executive Budget Analysis" section. Contingency funding of \$.55 million in general fund and \$1.45 million in other funds is again included in the Executive Budget.

Fixed Costs

Agencies are charged fees (called fixed costs) for a variety of services provided by other state agencies. The executive includes fixed costs for the following services: DofA insurance and bonds (2104), State Auditor warrant writing fees (2113), State Auditor payroll service fees (2114), Legislative Auditor audit fees (2122), DofA data network fees (2174), messenger services (2307), DofA rent (2527), and capitol complex grounds maintenance (2770), and state fund cost allocation plan (2895). Fixed costs total \$33.5 million during the 1997 biennium.

Table 3 shows the total amounts included in the Executive Budget for fixed costs.

Issues related to the warrant writing fees are discussed in the State Auditor agency narrative. Issues related to data network services and rent are discussed in the Department of Administration agency narrative. A more detailed discussion of each fixed cost follows the table.

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Table 3
Fixed Costs Included in Present Law Budgets
1997 Biennium

<u>Agency Providing Service</u>	<u>Service</u>	<u>(Millions)</u>
Administration	Insurance and Bonds ✓	\$11.9
	Payroll Service Fees ✓	1.1
	Data Network Services ✓	6.3
	Messenger Services ✓	0.3
	Rent - Buildings ✓	7.6
State Auditor	Warrant Writing Fees ✓	1.6
Legislative Auditor	Audit Fees ✓	2.9
Various	Grounds Maintenance	0.5
Fish, Wildlife, & Parks	State Fund Cost Allocation Plan	<u>1.3</u>
Total		\$33.5

Insurance and Bonds

The Risk Management and Tort Defense (RMTD) Division of the DofA collects premiums from state agencies for 1) administration of the self-insurance program, which provides state agencies with general liability and automobile coverage; and 2) purchase of commercial policies for state agency property, aircraft, and other risk coverage. Costs are allocated to agencies based on actual loss experience, and inherent exposure.

Payroll Service Fees

The State Payroll program in DofA prepares and distributes payroll for all state agencies, and operates the state payroll, personnel, and position control (PPP) system. Costs of these services are allocated to agencies based on the number of paychecks issued for each agency each year.

Data Network Services

The Information Services Division (ISD) of DofA charges agencies for the technology network that allows agency personal computers to be attached to the state mainframe and, via the mainframe, to other

agency computers. Costs of this service are allocated to agencies based on the projected number of personal computers connected to the network each year, utilizing the fixed monthly rate per computer to determine the overall agency charge.

Messenger Service

The Mail and Distribution program in DofA charges state agencies for inter-agency mail pick-up and delivery services. Costs of these services are allocated to agencies based on the volume of mail generated by, and number of daily deliveries to, each agency.

Rent

The General Services Division (GSD) of DofA charges rent to state agencies for costs of maintaining office and warehouse space in buildings GSD manages in the capitol complex (including utility costs, security, janitorial services, mechanical maintenance, and minor maintenance such as painting, lighting, carpeting, etc.). Costs are allocated to agencies based on the amount of square footage occupied of office or warehouse space, through a fixed per square footage rate.

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Warrant Writing Fees

The State Auditor's Office provides warrant writing and direct deposit services for agency financial transactions. The costs of these services are allocated to agencies based on fiscal 1994 utilization of the various types of financial transactions.

Audit Fees

The Office of the Legislative Auditor charges agencies for costs of financial compliance audits. These charges are included in agency budgets as biennial appropriations, and allocated according to the estimated number of billable hours for each agency audit.

Grounds Maintenance

The Parks Division of FWP charges state agencies for grounds maintenance and snow removal at capitol complex buildings. Costs of these services are allocated based on the amount of office space square footage occupied by each agency.

State Fund Cost Allocation Plan (SFCAP)

DofA administers the SFCAP, which charges non-general fund agencies and/or programs for operating costs of state government that cannot easily be identified with particular funding sources. These collections are deposited to the general fund to offset a portion of those programs' costs.

Operating costs of the following programs are partially recovered through SFCAP collections: State Personnel and the Accounting and Management Support Divisions of DofA, and the Office of Budget and Program Planning (OBPP) in the Governor's Office. Costs are allocated to agencies based upon the following: a) State Personnel - the number of FTE appropriated and classified, and the number of negotiated labor contracts; b) Accounting and Management Support - the number of SBAS and cash transactions, and actual expenditures; and c) OBPP - the number of FTE and budgeted fund expenditures.

Inflation/Deflation Factors

The Executive Budget does not include a general inflation factor for all operating expenses. Instead the executive applies inflation (or deflation) factors to only specific expenditure items.

During the budget development cycle, the staff of the executive and the LFA agreed on inflation/deflation factors for selected expenditure items. Table 4 shows the inflation factors used by the executive in preparing the present law budget. Following the table is a summary of the data used in preparing the inflation/deflation factors.

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Table 4
Inflation/Deflation Factors, 1997 Biennium

Expenditure Code	Expenditure Category	Inflation Factors for:	
		FY96	FY97
Food Related Inflation Items			
2117	Board & Room	1.037	1.064
2145	Food Service Expense	1.037	1.064
2205	Food	1.037	1.064
2251	Meat	1.037	1.064
2252	Dairy	1.037	1.064
2253	Produce	1.037	1.064
2254	Bakery	1.037	1.064
2264	Grocery	1.037	1.064
2275	Poultry	1.037	1.064
2278	Beverages	1.037	1.064
2279	Red Meat	1.037	1.064
2288	Canned Goods	1.037	1.064
2289	Staples	1.037	1.064
2291	Sea Foods	1.037	1.064
2292	Pork	1.037	1.064
Energy Related Inflation Items			
2216	Gasoline	1.058	1.142
2242	Diesel Fuel	1.058	1.142
2297	Propane Vehicle Fuel	1.058	1.142
2601	Electricity		
	MPC Service Area (default)	1.102	1.158
	MDU Service Area	1.030	1.061
2603	Natural Gas		
	MPC Service Area (default)	1.082	1.125
	MDU Service Area	1.102	1.158
2604	Laboratory Gas	1.058	1.142
2607	Propane	1.058	1.142
2724	Oil	1.058	1.142
2731	Paint - Buildings	1.058	1.142
2732	Paint - Traffic Line	1.058	1.142
2738	Road Oil	1.058	1.142
2742	Oil Mixed Materials	1.058	1.142
Medical Related Inflation Items			
2106	Lab Testing	1.102	1.165
2116	Medical Services	1.102	1.165
2118	Medical Services	1.102	1.165
2119	Dentistry	1.102	1.165
2170	Prescription Services	1.102	1.165
2208	Lab Equipment & Supplies	1.102	1.165
2209	Medical & Hospital Supplies	1.102	1.165
2222	Drugs	1.102	1.165
2265	Misc. Medications	1.102	1.165
Proprietary Rate Items			
2172	Computer Processing/DoA	0.900	0.880
2370	Telephone Equipment Charges/DoA	0.870	0.870
2385	Long Distance Charge/DoA	0.930	0.870
2190	Printing/ P&G	1.030	1.060
2193	Photocopy Pool Services	1.120	1.120
2404	In-State Motor Pool	1.370	1.520
Other Inflated Items			
2225	Books and Reference Materials	1.038	1.072
2304	Postage & Mailing	1.077	1.103
2802	Subscriptions	1.038	1.072

BUDGET BASICS

Implicit Price Deflator

The Implicit Price Deflator (IPD) measures the increase or decrease in prices of goods and services included in the U.S. Gross Domestic Product. A unique measure of the IPD is derived for each category of goods and services. Thus, food related items were inflated by the IPD for Food and beverages. Gasoline and oil products were inflated by the IPD for energy, gasoline, and oil. Medical care and drugs were inflated by the IPD for medical care. The IPD inflation factors were those published by Wharton Econometrics Forecasting Associates.

ISD Computer and Telephone Costs

Prices charged to state agencies and other users of state computer and telephone services during the 1997 biennium were calculated so as to leave no more than a 45 day level of working capital in reserve.

Computer processing rates charged by the Information Services Division (ISD) will continue to decline during the 1997 biennium. Mainframe computer processing costs will be reduced 10 percent below fiscal 1994 rates in fiscal 1996 and 12 percent below fiscal 1994 rates in fiscal 1997. These reductions are due to technological enhancements that improve price/performance of computers and mainframe utilization, both of which drive down the cost of processing. Utilization rates are negatively affected by greater use of local area networks to do tasks formerly done by the mainframe computer. However this will be more than offset by greater mainframe utilization that will occur as a result of moving the Child Assistance Protection Services at the Department of Family Services to the state mainframe computer during the coming biennium.

Rates also decrease for Department of Administration (DofA)-owned telephone equipment charges and DofA long distance service. Equipment charges decline due to reduced equipment recovery costs and increased utilization of modems and facsimile machines. Long distance rates decline due to anticipated competition among vendors and an increased volume of calls.

Publication and Graphics

DofA will increase rates by: 1) 3 percent in Publication and Graphics printing rates in fiscal 1996 and 6 percent in fiscal 1997; and 2) 12 percent in photocopy pool rates in fiscal 1996.

Cost increases are driven by anticipated costs of printing, paper, copying supplies and contracted printing and photocopy pool prices. Photocopy pool prices reflect vendor contract prices for providing copy machines and service.

Postage and Mailing

Central mail rates increase 7.7 percent in fiscal 1996 and 10.3 percent in fiscal 1997 compared to rates in fiscal 1994. These rates reflect an increase in U.S. postal service rates to 32 cents from 29 cents. At the time the state postal inflation rates were developed, it was expected that the change in the U.S. postal service rates would take place in January 1996. Recently, however it was announced that the increased U.S. rates would begin on January 1, 1995. If postage and mailing for fiscal 1996 and fiscal year 1997 had been inflated the full 10.3 percent, present law appropriations in the general fund would have increased by \$43,000 and for all funds by \$212,000.

Utilities

Inflation rates for electricity and natural gas were based on surveys of Montana Power Company (MPC) and Montana-Dakota Utilities Company (MDU). MPC projects that rates for electricity will be 10.2 percent higher in fiscal 1996 and 15.8 percent higher in fiscal 1997 than in fiscal 1994. MDU projects electricity rates will be 3 percent higher in fiscal 1996 and 6.1 percent higher in fiscal 1997 than in fiscal 1994.

MPC staff anticipate natural gas rates will increase 8.2 percent in fiscal 1996 and 12.5 percent fiscal 1997 compared to fiscal 1994 mainly due to increased prices for natural gas. MDU staff project a larger increase in natural gas prices as reflected in their rate increases of 10.2 percent in fiscal 1996 and 15.8 percent in fiscal 1997.

BUDGET BASICS

Travel

The Department of Transportation plans to increase in-state motor pool rates by 37 percent in fiscal 1996 and fiscal 1997 compared to rates in fiscal 1994. During the 1995 biennium motor pool rates were extremely low when compared to rates charged by private rental car agencies. This was because of a cyclical low in vehicle replacement rates. Vehicle replacement rates, especially for mid-size sedans, are expected to increase substantially in the 1997 biennium.

Books and Reference Materials

Inflation factors for books, reference materials, and subscriptions are based on expected increases in these materials for use primarily by the university system libraries and to a lesser extent by state agencies. Prices charged for these materials are expected to increase by 3.8 percent in fiscal 1996 and 7.2 percent in fiscal 1997 compared to fiscal 1994.

AGENCY BUDGET COMPARISONS BY FUND

The following series of tables provide, by fund type, a comparison of the 1995 and 1997 biennium agency budgets. The 1995 biennium budget is comprised of the adjusted base fiscal 1994 actual expenditures and the fiscal 1995 appropriated levels. The 1997 biennium budget figures are the Executive Budget. Each fiscal year budget is shown as well as combined biennium budgets and the biennial difference. The final table shows the agency comparison for all funds.

The Executive Budget numbers reported in the tables do not include the proposed pay plan.

General Fund

As defined in 17-7-102, MCA, the general fund "accounts for all financial resources except those required to be accounted for in another fund." The general fund is used to fund the general operations of state government.

The largest general fund increases are in human services and corrections program.

General Fund Comparison 95 Biennium Versus Executive Budget 97 Biennium								
Agcy Code	Agency Name	Base Fiscal 1994	Adjusted Appropriated Fiscal 1995	Total Exec. Budget Fiscal 1996	Total Exec. Budget Fiscal 1997	Total Fiscal 94-95	Total Exec. Budget Fiscal 96-97	Difference 97 Biennium - 95 Biennium
1101	Legislative Auditor	\$1,247,557	\$1,318,958	\$1,481,035	\$1,496,327	\$2,566,515	\$2,977,362	\$410,847
1102	Legislative Fiscal Analyst	768,231	851,530	819,196	837,105	1,619,761	1,656,301	36,540
1104	Legislative Council	1,681,624	2,158,392	2,580,710	3,077,456	3,840,016	5,658,166	1,818,150
1109	Legislature-Senate	0	0	0	0	0	0	0
1110	Legislature-House	0	0	0	0	0	0	0
1111	Environmental Quality Council	272,898	277,512	309,008	306,950	550,410	615,958	65,548
2110	Judiciary	5,351,461	5,487,140	5,784,248	5,753,514	10,838,601	11,537,762	699,161
3101	Governors Office	2,212,686	2,257,216	2,548,707	2,498,097	4,469,902	5,046,804	576,902
3201	Secretary Of States Office	40,309	68,433	37,119	37,490	108,742	74,609	(34,133)
3202	Commissioner Of Political Prac	126,627	123,384	152,581	147,220	250,011	299,801	49,790
3401	State Auditors Office	1,904,694	2,079,642	2,014,713	1,994,864	3,984,336	4,009,577	25,241
3501	Office Of Public Instruction	45,289,541	41,775,560	50,217,673	43,605,452	87,065,101	93,823,125	6,758,024
4107	Crime Control Division	457,348	467,738	484,698	486,617	925,086	971,315	46,229
4108	Highway Traffic Safety	180,701	180,696	250,000	250,000	361,397	500,000	138,603
4110	Department Of Justice	12,984,887	9,487,705	16,091,189	15,827,766	22,472,592	31,918,955	9,446,363
5100	University System	108,085,285	107,387,430	109,242,063	112,223,182	215,472,715	221,465,245	5,992,530
5101	Board Of Public Education	110,912	106,809	116,996	115,954	217,721	232,950	15,229
5113	School For The Deaf & Blind	2,490,611	2,584,556	2,887,985	2,818,872	5,075,167	5,706,857	631,690
5114	Montana Arts Council	122,838	120,340	212,313	194,106	243,178	406,419	163,241
5115	Library Commission	1,131,030	988,774	1,543,904	1,304,180	2,119,804	2,848,084	728,280
5117	Historical Society	1,343,285	1,295,897	1,327,917	1,313,524	2,639,182	2,641,441	2,259
5201	Dept Of Fish, Wildlife & Parks	288,024	275,937	285,777	284,840	563,961	570,617	6,656
5301	Dept Health & Environ Sciences	3,141,670	3,556,265	4,664,310	4,519,299	6,697,935	9,183,609	2,485,674
5401	Department Of Transportation	28,360	32,349	150,000	250,000	60,709	400,000	339,291
5501	Department Of State Lands	8,175,664	7,888,665	9,192,288	8,920,701	16,064,329	18,112,989	2,048,660
5603	Department Of Livestock	357,963	405,783	456,397	459,057	763,746	915,454	151,708
5706	Dept Nat Resource/Conservation	3,072,825	3,177,272	4,728,534	4,688,574	6,250,097	9,417,108	3,167,011
5801	Department Of Revenue	20,520,178	19,627,243	22,343,806	22,391,686	40,147,421	44,735,492	4,588,071
6101	Department Of Administration	3,242,447	3,836,242	3,722,992	3,701,218	7,078,689	7,424,210	345,521
6107	Long-Range Building	0	0	0	0	0	0	0
6201	Department Of Agriculture	467,821	421,499	467,120	450,282	889,320	917,402	28,082
6401	Corrections & Human Services	76,253,700	78,375,001	97,765,042	97,973,155	154,628,701	195,738,197	41,109,496
6501	Department Of Commerce	1,429,263	1,415,385	1,722,770	1,698,449	2,844,648	3,421,219	576,571
6602	Labor & Industry	811,601	788,152	879,654	879,202	1,599,753	1,758,856	159,103
6701	Dept Of Military Affairs	1,951,162	1,952,408	2,203,739	2,176,168	3,903,570	4,379,907	476,337
6901	Dept Social & Rehab Services	112,298,413	120,146,901	133,933,877	149,460,393	232,445,514	283,394,270	50,948,956
6911	Department Of Family Services	32,613,472	32,810,425	40,078,080	41,880,011	65,423,897	81,958,091	16,534,194
Totals		\$450,455,088	\$453,727,239	\$520,696,441	\$534,021,711	\$904,182,327	\$1,054,718,152	\$150,535,825

AGENCY BUDGET COMPARISONS BY FUND

State Special Revenue Fund

As defined in 17-7-102, MCA, the state special fund "consists of money from state and other nonfederal sources deposited in the state treasury that is earmarked for the purposes of defraying particular costs of an agency, program, or function of state government and money from other non-state or nonfederal sources that is restricted by law or by the terms of an agreement, such as a contract, trust agreement, or donation."

The largest increases in state special revenue funds are for highways construction and related activities.

State Special Fund Comparison 95 Biennium Versus Executive Budget 97 Biennium							
Agcy Code	Agency Name	Base Fiscal 1994	Adjusted Appropriated Fiscal 1995	Total Exec. Budget Fiscal 1996	Total Exec. Budget Fiscal 1997	Total Fiscal 94-95	Difference 97 Biennium - 95 Biennium
1101	Legislative Auditor	\$1,275,113	\$1,458,842	\$1,318,885	\$1,318,885	\$2,733,955	\$2,637,770 (\$96,185)
1104	Legislative Council	918,704	445,917	955,140	463,753	1,364,621	1,418,893 54,272
1111	Environmental Quality Council	13,814	0	13,966	14,117	13,814	28,083 14,269
1112	Consumer Counsel	865,919	1,007,311	1,008,198	1,025,877	1,873,230	2,034,075 160,845
2110	Judiciary	541,156	521,501	509,842	514,454	1,062,657	1,024,296 (38,361)
3101	Governors Office	117,977	245,857	174,913	175,247	363,834	350,160 (13,674)
3202	Commissioner Of Political Prac	0	0	0	0	0	0 0
3401	State Auditors Office	907,009	1,055,504	748,223	496,633	1,962,513	1,244,856 (717,657)
3501	Office Of Public Instruction	4,962,768	4,732,912	4,915,187	4,916,477	9,695,680	9,831,664 135,984
4107	Crime Control Division	481,628	625,571	749,920	749,021	1,107,199	1,498,941 391,742
4108	Highway Traffic Safety	75,872	84,760	86,000	86,000	160,632	172,000 11,368
4110	Department Of Justice	16,612,069	19,581,994	17,369,256	16,599,261	36,194,063	33,968,517 (2,225,546)
4201	Public Service Regulation	2,080,070	2,056,012	2,244,239	2,080,791	4,136,082	4,325,030 188,948
5100	University System	18,377,832	15,473,000	15,301,682	15,705,205	33,850,832	31,006,887 (2,843,945)
5101	Board Of Public Education	86,880	84,412	93,567	92,252	171,292	185,819 14,527
5113	School For The Deaf & Blind	228,382	466,232	274,000	274,000	694,614	548,000 (146,614)
5114	Montana Arts Council	153,086	215,788	106,004	106,764	368,874	212,768 (156,106)
5115	Library Commission	533,062	501,592	1,056,121	617,308	1,034,654	1,673,429 638,775
5117	Historical Society	90,071	103,092	106,899	107,273	193,163	214,172 21,009
5201	Dept Of Fish, Wildlife & Parks	22,698,310	24,352,338	25,847,225	24,549,744	47,050,648	50,396,969 3,346,321
5301	Dept Health & Environ Sciences	9,422,729	14,135,136	15,597,726	16,054,721	23,557,865	31,652,447 8,094,582
5401	Department Of Transportation	149,899,589	167,709,525	199,156,134	209,816,604	317,609,114	408,972,738 91,363,624
5501	Department Of State Lands	5,497,731	5,431,723	9,629,601	5,864,033	10,929,454	15,493,634 4,564,180
5603	Department Of Livestock	4,716,464	4,924,169	4,956,145	4,903,119	9,640,633	9,889,264 248,631
5706	Dept Nat Resource/Conservation	6,686,270	8,643,976	7,337,643	6,801,135	15,330,246	14,138,778 (1,191,468)
5801	Department Of Revenue	747,076	800,342	911,548	896,901	1,547,418	1,808,449 261,031
6101	Department Of Administration	967,773	2,473,399	742,412	755,548	3,441,172	1,497,960 (1,943,212)
6107	Long Range Building	0	0	0	0	0	0 0
6201	Department Of Agriculture	6,916,651	6,301,170	6,913,544	6,971,918	13,217,821	13,685,462 667,641
6401	Corrections & Human Services	5,817,009	6,842,242	6,747,957	6,812,234	12,659,251	13,560,191 900,940
6501	Department Of Commerce	16,655,031	16,746,724	22,616,425	16,877,957	33,401,755	39,494,382 6,092,627
6602	Labor & Industry	10,716,285	11,227,339	11,514,401	11,206,837	21,943,624	22,721,238 777,614
6701	Dept Of Military Affairs	42,855	44,142	70,447	75,796	86,997	146,243 59,246
6901	Dent Social & Rehab Services	18,452,458	22,018,960	23,698,086	25,267,796	40,471,418	48,965,882 8,494,464
6911	Department Of Family Services	2,893,151	3,075,398	3,028,325	3,028,201	5,968,549	6,056,526 87,977
Totals		\$310,450,794	\$343,386,880	\$385,829,661	\$365,225,862	\$653,837,674	\$771,055,523 \$117,217,849

AGENCY BUDGET COMPARISONS BY FUND

Federal Special Funds

As defined in 17-7-102, MCA, the federal special fund "consists of money deposited in the treasury from federal sources, including trust income, that is used for the operation of state government."

The largest federal fund increases are in K-12 education, human services, and highway funds.

Federal Special Fund Comparison 95 Biennium Versus Executive Budget 97 Biennium								
Agcy Code	Agency Name	Base Fiscal 1994	Adjusted Appropriated Fiscal 1995	Total Exec. Budget Fiscal 1996	Total Exec. Budget Fiscal 1997	Total Fiscal 94-95	Total Exec. Budget Fiscal 96-97	Difference 97 Biennium - 95 Biennium
2110	Judiciary	\$0	\$75,000	\$110,000	\$110,000	\$75,000	\$220,000	\$145,000
3101	Governors Office	64,446	76,551	184,222	186,305	140,997	370,527	229,530
3501	Office Of Public Instruction	8,920,115	4,699,128	73,844,691	63,765,994	13,619,243	137,610,685	123,991,442
4107	Crime Control Division	3,606,329	3,804,657	4,449,500	4,464,500	7,410,986	8,914,000	1,503,014
4108	Highway Traffic Safety	889,017	1,311,468	4,510,578	4,512,578	2,200,485	9,023,156	6,822,671
4110	Department Of Justice	1,573,232	1,477,546	2,885,431	2,587,031	3,050,778	5,472,462	2,421,684
4201	Public Service Regulation	19,337	28,168	28,168	28,168	47,505	56,336	8,831
5100	University System	13,087,541	13,715,831	14,298,310	14,571,769	26,803,372	28,870,079	2,066,707
5113	School For The Deaf & Blind	80,977	110,059	71,514	71,514	191,036	143,028	(48,008)
5114	Montana Arts Council	588,562	255,175	512,567	512,569	843,737	1,025,136	181,399
5115	Library Commission	612,269	401,286	2,071,545	461,545	1,013,555	2,533,090	1,519,535
5116	Vocational Education Council	153,512	167,890	167,406	167,772	321,402	335,178	13,776
5117	Historical Society	502,380	707,380	657,885	645,834	1,209,760	1,303,719	93,959
5201	Dept Of Fish, Wildlife & Parks	7,019,742	10,132,496	11,514,591	10,974,984	17,152,238	22,489,575	5,337,337
5301	Dept Health & Environ Sciences	32,588,249	43,257,361	44,289,344	45,249,859	75,845,610	89,539,203	13,693,593
5401	Department Of Transportation	152,168,668	165,268,343	197,476,150	175,215,966	317,437,011	372,692,116	55,255,105
5501	Department Of State Lands	5,595,631	6,930,999	7,112,960	6,997,176	12,526,630	14,110,136	1,583,506
5603	Department Of Livestock	313,497	366,705	319,968	331,557	680,202	651,525	(28,677)
5706	Dept Nat Resource/Conservation	1,161,547	1,226,417	1,137,075	1,128,683	2,387,964	2,265,758	(122,206)
5801	Department Of Revenue	196,692	197,359	232,383	232,406	394,051	464,789	70,738
6101	Department Of Administration	16,792	30,667	946,918	646,851	47,459	1,593,769	1,546,310
6107	Long-Range Building	0	0	0	0	0	0	0
6201	Department Of Agriculture	467,068	528,876	683,430	727,611	995,944	1,411,041	415,097
6401	Corrections & Human Services	5,281,204	6,044,230	6,929,223	7,437,614	11,325,434	14,366,837	3,041,403
6501	Department Of Commerce	24,783,944	31,050,722	34,642,682	32,669,575	55,834,666	67,312,257	11,477,591
6602	Labor & Industry	25,245,364	26,936,552	27,205,755	27,405,899	52,181,916	54,611,654	2,429,738
6701	Dept Of Military Affairs	4,181,821	4,667,153	8,683,845	7,978,654	8,848,974	16,662,499	7,813,525
6901	Dept Social & Rehab Services	336,805,152	350,080,711	388,706,338	417,935,400	686,885,863	806,641,738	119,755,875
6911	Department Of Family Services	17,565,490	19,981,330	23,657,404	22,866,418	37,546,820	46,523,822	8,977,002
Totals		\$643,488,578	\$693,530,060	\$857,329,883	\$849,884,232	\$1,337,018,638	\$1,707,214,115	\$370,195,477

AGENCY BUDGET COMPARISONS BY FUND

Proprietary Funds

As defined in 17-7-102, MCA, proprietary funds are defined as either enterprise or internal service funds. Enterprise funds "account for operations: (A) that are financed and operated in a manner similar to private business enterprises whenever the intent of the legislature is that costs (i.e., expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges; or (B) whenever the legislature has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes". Internal service funds "account for the financing of good or services provided by one department or agency to other departments or agencies of state government or to other governmental entities on a cost-reimbursed basis".

Proprietary funds show a slight decrease in the table, but excluding an accounting adjustment for the State Compensation Insurance Fund (SCIF), there is a net increase of nearly \$9 million. The SCIF was changed to statutory appropriation authority, so no 1997 biennium budget amounts are shown.

Proprietary Fund Comparison 95 Biennium Versus Executive Budget 97 Biennium								
Agcy Code	Agency Name	Base Fiscal 1994	Adjusted Appropriated Fiscal 1995	Total Exec. Budget Fiscal 1996	Total Exec. Budget Fiscal 1997	Total Fiscal 94-95	Total Exec. Budget Fiscal 96-97	Difference 97 Biennium - 95 Biennium
3201	Secretary Of States Office	\$1,617,479	\$1,471,849	\$2,041,425	\$2,014,648	\$3,089,328	\$4,056,073	\$966,745
3401	State Auditors Office	183,875	197,205	980,113	1,005,634	381,080	1,985,747	1,604,667
3501	Office Of Public Instruction	1,039,740	1,096,180	1,051,670	1,057,183	2,135,920	2,108,853	(27,067)
4110	Department Of Justice	1,052,954	968,911	634,107	635,886	2,021,865	1,269,993	(751,872)
5100	University System	17,921,199	20,870,561	19,665,465	20,438,745	38,791,760	40,104,210	1,312,450
5117	Historical Society	590,569	591,950	739,584	739,963	1,182,519	1,479,567	297,048
5201	Dept Of Fish, Wildlife & Parks	2,079,816	2,419,614	2,496,443	2,138,542	4,499,430	4,634,985	135,555
5301	Dept Health & Environ Sciences	1,920,965	2,337,129	2,510,042	2,405,179	4,258,094	4,915,221	657,127
5401	Department Of Transportation	16,434,293	16,295,663	16,981,981	17,337,371	32,729,956	34,319,352	1,589,396
5501	Department Of State Lands	359,191	505,278	705,653	592,714	864,469	1,298,367	433,898
5801	Department Of Revenue	1,302,937	963,229	631,371	598,539	2,266,166	1,229,910	(1,036,256)
6101	Department Of Administration	37,966,815	41,168,681	40,575,959	40,132,001	79,135,496	80,707,960	1,572,464
6103	State Compensation Ins. Fund	9,902,731	0	0	0	9,902,731	0	(9,902,731)
6107	Long-Range Building	0	0	0	0	0	0	0
6201	Department Of Agriculture	216,168	227,146	233,525	237,422	443,314	470,947	27,633
6401	Corrections & Human Services	3,782,069	4,210,487	5,899,643	6,712,648	7,992,556	12,612,291	4,619,735
6501	Department Of Commerce	14,289,395	13,589,565	13,471,958	12,848,588	27,878,960	26,320,546	(1,558,414)
6602	Labor & Industry	2,310,885	3,834,646	2,175,645	2,188,862	6,145,531	4,364,507	(1,781,024)
Totals		\$112,971,081	\$110,748,094	\$110,794,584	\$111,083,945	\$223,719,175	\$221,878,529	(\$1,840,646)

AGENCY BUDGET COMPARISONS BY FUND

Other Funds

Other funds include capital projects and fiduciary funds. As defined in 17-7-102, MCA, the capital projects fund "accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds". The fiduciary funds include "trust and agency fund types used to account for assets held by state government in a trustee capacity or as an agent for individuals, private organizations, other governmental entities, or other funds. These include the: (i) expendable trust fund type; (ii) the non-expendable trust fund type; (iii) pension trust fund type; and (iv) agency fund type".

Comparison tables are provided below for the capital projects funds, the expendable trust fund, the non-expendable/pension trust funds and the selected agency funds. Agency funds expended in fiscal 1994 and budgeted for fiscal 1995 for the Office of Public Instruction are budgeted as federal special revenue funds in the 1997 biennium.

Capital Projects Fund Comparison 95 Biennium Versus Executive Budget 97 Biennium								
Agency Code	Agency Name	Base Fiscal 1994	Adjusted Appropriated Fiscal 1995	Total Exec. Budget Fiscal 1996	Total Exec. Budget Fiscal 1997	Total Fiscal 94-95	Total Exec. Budget Fiscal 96-97	Difference 97 Biennium - 95 Biennium
5501	Department Of State Lands	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6101	Department Of State Lands	68,304	68,312	68,801	68,801	116,616	117,602	986
6107	Long-Range Building	0	0	0	0	0	0	0
Totals		\$68,304	\$68,312	\$68,801	\$68,801	\$116,616	\$117,602	\$986

Expendable Trust Fund Comparison 95 Biennium Versus Executive Budget 97 Biennium								
Agency Code	Agency Name	Base Fiscal 1994	Adjusted Appropriated Fiscal 1995	Total Exec. Budget Fiscal 1996	Total Exec. Budget Fiscal 1997	Total Fiscal 94-95	Total Exec. Budget Fiscal 96-97	Difference 97 Biennium - 95 Biennium
5706	Dept Nat Resource/Conservation	\$324,187	\$0	\$400,000	\$400,000	\$324,187	\$800,000	\$475,813
6101	Department Of Administration	0	11,749	1,450,000	1,450,000	11,749	2,900,000	2,888,251
6201	Department Of Agriculture	74,431	65,193	77,355	79,383	139,824	156,738	17,114
Totals		\$398,618	\$76,942	\$1,927,355	\$1,929,383	\$475,760	\$3,856,738	\$3,381,178

Non-Expendable Trust Fund Comparison 95 Biennium Versus Executive Budget 97 Biennium								
Agency Code	Agency Name	Base Fiscal 1994	Adjusted Appropriated Fiscal 1995	Total Exec. Budget Fiscal 1996	Total Exec. Budget Fiscal 1997	Total Fiscal 94-95	Total Exec. Budget Fiscal 96-97	Difference 97 Biennium - 95 Biennium
6104	Public Employees Retirement Bd	\$1,112,988	\$1,129,987	\$1,341,170	\$1,175,809	\$2,242,975	\$2,516,979	\$274,004
8105	Teachers Retirement Board	649,069	639,472	716,120	699,894	1,288,541	1,416,014	127,473
Totals		\$1,762,057	\$1,769,459	\$2,057,290	\$1,875,703	\$3,531,516	\$3,932,993	\$401,477

Agency Fund Comparison 95 Biennium Versus Executive Budget 97 Biennium								
Agency Code	Agency Name	Base Fiscal 1994	Adjusted Appropriated Fiscal 1995	Total Exec. Budget Fiscal 1996	Total Exec. Budget Fiscal 1997	Total Fiscal 94-95	Total Exec. Budget Fiscal 96-97	Difference 97 Biennium - 95 Biennium
3501	Office of Public Instruction	\$48,451,731	\$48,448,031	\$0	\$0	\$96,899,762	\$0	(\$96,899,762)
Totals		\$48,451,731	\$48,448,031	\$0	\$0	\$96,899,762	\$0	(\$96,899,762)

AGENCY BUDGET COMPARISONS BY FUND

Current Unrestricted Funds

As defined in 17-7-102, MCA, the higher education funds include the current fund, the student loan fund, the endowment fund, the annuity and life income fund, the plant fund and the agency fund. The current fund, "which accounts for money deposited in the state treasury that is used to pay current operating costs relating to instruction, research, public service, and allied support operations and programs conducted within the Montana university system and vocational-technical centers. The financial activities of the current fund are subdivided, for operational purposes, into the four following subfunds to serve the purpose indicated...". These subfunds are the unrestricted subfund, the restricted subfund, the designated subfund, and the auxiliary subfund. Of these, only the current unrestricted subfund is appropriated by the legislature.

The current unrestricted subfund "segregates that portion of the current fund's financial resources that can be expended for general operations and is free of externally imposed restrictions, except those imposed by the legislature.

The increase is primarily due to tuition increases and enrollment management.

Current Unrestricted Fund Comparison 95 Biennium Versus Executive Budget 97 Biennium								
Agcy Code	Agency Name	Base Fiscal 1994	Adjusted Appropriated Fiscal 1995	Total Exec. Budget Fiscal 1996	Total Exec. Budget Fiscal 1997	Total Fiscal 94-95	Total Exec. Budget Fiscal 96-97	Difference 97 Biennium - 95 Biennium
5100	University System	\$57,080,916	\$63,297,810	\$73,116,242	\$77,317,535	\$120,378,726	\$150,433,777	\$30,055,051
	Totals	\$57,080,916	\$63,297,810	\$73,116,242	\$77,317,535	\$120,378,726	\$150,433,777	\$30,055,051

AGENCY BUDGET COMPARISONS BY FUND

All Budgeted Funds

The final comparison table is a composite by agency of the preceding tables, and shows a \$62 million increase in total fund expenditure. Base fiscal 1994 in this table excludes the Commissioner of Higher Education appropriation transfers of \$117,019,933.

All Budgeted Funds Comparison 95 Biennium Versus Executive Budget 97 Biennium								
Agcy Code	Agency Name	Base Fiscal 1994	Adjusted Appropriated Fiscal 1995	Total Exec. Budget Fiscal 1996	Total Exec. Budget Fiscal 1997	Total Fiscal 94-95	Total Exec. Budget Fiscal 96-97	Difference 97 Biennium - 95 Biennium
1101	Legislative Auditor	\$2,522,670	\$2,777,800	\$2,799,920	\$2,815,212	\$5,300,470	\$5,615,132	\$314,662
1102	Legislative Fiscal Analyst	768,231	851,530	819,196	837,105	1,619,761	1,656,301	36,540
1104	Legislative Council	2,600,328	2,604,309	3,535,850	3,541,209	5,204,637	7,077,059	1,872,422
1109	Legislature-Senate	0	0	0	0	0	0	0
1110	Legislature-House	0	0	0	0	0	0	0
1111	Environmental Quality Council	286,712	277,512	322,974	321,067	564,224	644,041	79,817
1112	Consumer Counsel	865,919	1,007,311	1,008,198	1,025,877	1,873,230	2,034,075	160,845
2110	Judiciary	5,892,617	6,083,641	6,404,090	6,377,968	11,976,258	12,782,058	805,800
3101	Governors Office	2,395,109	2,579,624	2,907,842	2,859,649	4,974,733	5,767,491	792,758
3201	Secretary Of States Office	1,657,788	1,540,282	2,078,544	2,052,138	3,198,070	4,130,682	932,612
3202	Commissioner Of Pnlitical Prac	126,627	123,384	152,581	147,220	250,011	299,801	49,790
3401	State Auditors Office	2,995,578	3,332,351	3,743,049	3,497,131	6,327,929	7,240,180	912,251
3501	Office Of Public Instructinn	108,660,195	52,303,780	130,029,221	113,345,106	160,963,975	243,374,327	82,410,352
4107	Crime Control Division	4,545,305	4,897,966	5,684,118	5,700,138	9,443,271	11,384,256	1,940,985
4108	Highway Traffic Safety	1,145,590	1,576,924	4,846,578	4,848,578	2,722,514	9,695,156	6,972,642
4110	Department Of Justice	32,223,142	31,516,156	36,979,983	35,649,944	63,739,298	72,629,927	8,890,629
4201	Public Service Regulation	2,099,407	2,084,180	2,272,407	2,108,959	4,183,587	4,381,366	197,779
5100	University System	214,552,773	220,744,632	231,623,762	240,256,436	435,297,405	471,880,198	36,582,793
5101	Board Of Public Education	197,792	191,221	210,563	208,206	389,013	418,769	29,756
5113	School Fr For The Deaf & Blind	2,799,970	3,160,847	3,233,499	3,164,386	5,960,817	6,397,885	437,068
5114	Montana Arts Council	864,486	591,303	830,884	813,439	1,455,789	1,644,323	188,534
5115	Library Commission	2,276,361	1,891,652	4,671,570	2,383,033	4,168,013	7,054,603	2,886,590
5116	Vocational Education Council	153,512	167,890	167,406	167,772	321,402	335,178	13,776
5117	Historical Society	2,526,305	2,698,319	2,832,285	2,806,614	5,224,624	5,638,899	414,275
5201	Dept Of Fish, Wildlife & Parks	32,085,892	37,180,385	40,144,036	37,948,110	69,266,277	78,092,146	8,825,869
5301	Dept Health & Environ Sciences	47,073,613	63,285,891	67,061,422	68,229,058	110,359,504	135,290,480	24,930,976
5401	Department Of Transportation	318,530,910	349,305,880	413,764,265	402,619,941	667,836,790	816,384,206	148,547,416
5501	Department Of State Lands	19,628,217	20,756,665	26,640,502	22,374,624	40,384,882	49,015,126	8,630,244
5603	Department Of Livestock	5,387,924	5,696,657	5,762,510	5,693,733	11,084,581	11,456,243	371,662
5706	Dept Nat Resnurce/Conservation	11,244,829	13,047,665	13,603,252	13,018,392	24,292,494	26,621,644	2,329,150
5801	Department Of Revenue	22,766,883	21,588,173	24,119,108	24,119,532	44,355,056	48,238,640	3,883,584
6101	Department Of Administration	42,252,131	47,579,050	47,497,082	46,744,419	89,831,181	94,241,501	4,410,320
6103	State Compensation Ins. Fund	9,902,731	0	0	0	9,902,731	0	(9,902,731)
6104	Public Employees Retirement Bd	1,112,988	1,129,987	1,341,170	1,175,809	2,242,975	2,516,979	274,004
6105	Teachers Retirement Board	649,069	639,472	716,120	699,894	1,288,541	1,416,014	127,473
6107	Long-Range Building	0	0	0	0	0	0	0
6201	Department Of Agriculture	8,142,139	7,543,884	8,374,974	8,466,616	15,686,023	16,841,590	1,155,567
6401	Corrections & Human Services	91,133,982	95,471,960	117,341,865	118,935,651	186,605,942	236,277,516	49,671,574
6501	Department Of Commerce	57,157,633	62,802,396	72,453,835	64,094,569	119,960,029	136,548,404	16,588,375
6602	Labor & Industry	39,084,135	42,786,689	41,775,455	41,680,800	81,870,824	83,456,255	1,585,431
6701	Dept Of Military Affairs	6,175,838	6,663,703	10,958,031	10,230,618	12,839,541	21,188,649	8,349,108
6901	Dept Social & Rehab Services	467,556,023	492,246,572	546,338,301	592,663,589	959,802,595	1,139,001,890	179,199,295
6911	Department Of Family Services	53,072,113	55,867,153	66,763,809	67,774,630	108,939,266	134,538,439	25,599,173
Totals		\$1,625,113,467	\$1,666,594,796	\$1,951,810,257	\$1,961,397,172	\$3,291,708,263	\$3,913,207,429	\$621,499,166

EXPENDITURE LIMITATION

1997 Biennium Budget Below Limit

The Executive Budget for the 1997 biennium is 9.4 percent or \$285.6 million below the statutory expenditure limit. Under the executive recommendation, the growth in state spending between the 1995 and 1997 biennia from accounts affected by the limitation will be less than the growth in Montana personal income during the last three year period.

Calculation of Limit

Section 17-8-106, MCA, limits the increase in biennial appropriations from the general fund, state special revenue, and the cash portion of the capital projects fund to the growth in Montana's personal income. The following types of appropriations are not subject to the limit:

- money received from the federal government;
- payments on bonded indebtedness;
- money paid for unemployment or disability benefits;
- money received from sale of goods or services;
- money paid from permanent endowments, constitutional trusts, or pension funds;
- proceeds from gifts or bequests;
- money appropriated for tax relief; and
- funds transferred within state government or purchases of goods for resale.

Three calculations are required to determine the expenditure limit:

Step #1 - Determine the base appropriation level for the current biennium by summing appropriations for the general fund, state special revenue accounts, and the cash portion of the capital projects fund, excluding the items listed previously.

Step #2 - Determine the growth in personal income for the three years preceding the current biennium (1990, 1991, and 1992) and the three years preceding the next biennium (1992, 1993, and 1994). The growth in Montana's personal income between these two periods is 14.28 percent.

Step #3 - Multiply the 1995 biennium appropriation base by the growth in personal income to establish the expenditure limitation. Subtract the base appropriations included in the Executive Budget for the 1997 biennium from the 1997 biennium expenditure limit. This difference is \$285.6 million.

EXPENDITURE LIMITATION

Table 1
Expenditure Limitation Calculation,
1997 Biennium (In Millions)
Comparison of Executive and LFA Calculation

Step #1 Base Appropriations	Executive Budget	LFA	Difference
1995 Biennium Appropriations	\$3,031.5	\$3,071.4	(\$39.9)
Exclusions	325.0	425.3	(100.3)
Base Appropriations	\$2,706.5	\$2,646.1	\$60.4
Step #2 Personal Income Growth Figures in Billions	Personal Income	3-Year Average	Percent Growth
Calendar 1990	\$11.790		
Calendar 1991	12.753		
Calendar 1992	13.469	\$12.671	
Calendar 1993	14.617		
Calendar 1994	\$15.560	\$14.549	14.82%
Step #3 Expenditure Limitation	Executive Budget	LFA	Difference
Expenditure Limitation	\$3,090.4	\$3,038.3	\$52.1
Executive Budget Appropriations			
General Fund	1,381.5	1,381.5	0.0
State Special Revenue	2,109.3	2,157.8	(48.5)
Capital Projects (Cash)	4.6	6.5	(1.9)
Total Appropriations	\$3,495.4	\$3,545.8	(\$50.4)
Exclusions	513.8	793.0	(279.2)
Net Appropriations	\$2,981.6	\$2,752.7	\$228.9
Expenditure Limit Balance	\$108.8	\$285.6	(\$176.8)

EXPENDITURE LIMITATION

Compliance

Table 1 shows the figures used to calculate the spending limitation for the 1997 biennium. The table also compares the executive calculation of the expenditure limitation with the LFA calculation. Following the table is an analysis of the reasons for the differences.

While the differences between the executive and LFA calculation methods yield different results, both calculations show that the Executive Budget recommendation for the 1997 biennium is far below the expenditure limitation.

Executive vs. LFA Calculation

Step #1 - The executive calculation of the 1995 biennium appropriations is \$39.9 million lower for two reasons:

- 1) it subtracts supplemental appropriations not approved yet, when these should have been added; and
- 2) state special appropriations used by the executive differed from those eventually published in the governor's Executive Budget document.

The executive calculation of 1995 biennium exclusions is \$100.3 million lower because it does not exclude \$98.9 million in transfers from the general fund to the School Equalization Account (SEA) and \$1.4 million in debt service exclusions.

Step #2 - Except for personal income amounts in calendar 1994, the executive and LFA calculation is the same for this step. Both the executive and the LFA used personal income tax data for calendar years 1990 through 1993 provided by the Bureau of Economic Analysis, U.S. Department of Commerce. The executive used an internal personal income data forecast for calendar 1994 in their calculation. The LFA used a forecast personal income for calendar year 1994 as projected by the Revenue Oversight Committee in November 1994. As a result the calculated growth rates differ slightly.

Step #3 - The executive calculation of the expenditure limit is higher because the 1995 biennium base appropriation is higher (step #1).

The executive calculation of the 1997 biennium Executive Budget recommendation lower than the LFA because the state special revenue total used in the expenditure limitation calculation was \$50.4 million lower than the final Executive Budget recommendation.

The executive calculation of 1997 biennium exclusions is lower than the LFA because they did not exclude \$246.5 million of transfers from the general fund to the SEA and \$32.7 in Department of Transportation debt service recommendations.

Based on the information discussed above, the Executive Budget recommendation is \$108.8 million below the expenditure limitation. The LFA calculation indicates the Executive Budget recommendation is \$285.6 million below the expenditure limitation.

STATUTORY APPROPRIATIONS

Section 17-7-501, MCA, provides that funds may be appropriated in permanent law, rather than through appropriation bills, which are effective for only one biennium. In order for a statutory appropriation to be valid, the statute creating the appropriation must specifically state that it is a *statutory appropriation* and the statute must be listed in 17-7-502, MCA.

There are currently seven general fund statutory appropriations. Table 1 shows each statutory appropriation, the relevant statute, and expenditures for fiscal 1994 (actual) and fiscal 1995 through 1997 (estimated).

Agency Code	Agency	Statute M.C.A.	Purpose	Fiscal 1994 Actual	Fiscal 1995 Estimated	Fiscal 1996 Estimated	Fiscal 1997 Estimated	Fiscal 1994-1995	Fiscal 1996-1997
5801	Revenue	15-1-111	Property Tax Reimbursement (see chart)	\$18,383	\$18,383	\$18,383	\$18,383	\$36,766	\$36,766
6101	Administration	17-7-502	Debt Service - LRBP Bonds	12,404	14,428	7,682	3,981	26,832	11,663
6101	Administration	17-5-804	TRANS Interest	2,275	2,582	2,233	2,343	4,857	4,576
2110	Judiciary	03-5-901	District Court Reimbursement	3,008	3,887	4,055	4,208	6,895	8,263
6101	Administration	17-6-101	Depository Banking Services	0,556	0,803	0,400	0,400	1,359	0,800
4110	Justice	61-2-107	DUI Testing Equipment	0,050	0,050	0,050	0,050	0,100	0,100
5501	State Lands	10-3-312	Disaster/Emergency Assistance	0,000	6,716	0,000	0,000	6,716	0,000
6701	Military Affairs	10-3-312	Disaster/Emergency Assistance	0,108	1,555	0,000	0,000	1,663	0,000
Totals:				\$36,784	\$48,404	\$32,803	\$29,365	\$85,188	\$62,168

Property Tax Reimbursement

During the June 1989 special session, the legislature reduced the tax rate on most personal property to 9 percent, and enacted a mechanism to fund local governments and school districts from the state general fund for the property taxes lost as a result of this tax reduction. The 1993 legislature passed HB 196, which capped the amount of reimbursements paid to eligible taxing jurisdictions for taxable years 1993 and beyond, at the amount paid in fiscal 1991. This amount is set at \$18.4 million per fiscal year.

Debt Service

Section 4 of 17-7-502, MCA, specifies "there is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana". Debt service obligations paid through statutory appropriation for fiscal 1995 through 1997 are for principal and interest payments on outstanding general obligation (G.O.) long-range building program (LRBP) bonds. As specified in 17-5-402, MCA, upon approval by a two-thirds vote of the members of each house, authority to issue G.O. bonds is granted to the state Board of Examiners.

Annual debt service obligations of the state became an issue during the 1993 regular session in recognition of the profound impact the cost of debt service financing can have on the general fund ending fund balance. Consequently, the legislature included in HB 5 a directive to the Department of Administration and the Board of Examiners to issue bonds "in a manner that is consistent with prudent debt management principles" and to "minimize the aggregate amount of debt service payable from the general fund" during the 1995 biennium.

Three new LRBP general obligation bond issues totalling \$44.5 million have been sold during the 1995 biennium, resulting in a total of \$71.1 million in new principal and interest costs to the general fund. The estimated amount of obligations required for the 1995 biennium is \$26.8 million and \$11.7 million for the 1997 biennium. Clearly, the state's outstanding G.O. debt is scheduled to decline beginning in fiscal 1996. The Executive Budget for the 1997 biennium, however, includes a proposal to issue \$71.7 million in new G.O. debt. If non-general fund sources of revenue are not used to fund the servicing of this debt, it could result in an additional debt service cost of \$6.5 million annually. (See sub-section F of the "Agency Budget Analysis" section for more detail.)

STATUTORY APPROPRIATIONS

TRANS Interest

As required to meet cashflow needs, the state Board of Examiners is authorized to sell tax and revenue anticipation notes (TRANS). The interest costs associated with the issuance of TRANS are statutorily appropriated and the projected cost to the general fund is estimated according to the economic assumptions adopted by the Revenue Oversight Committee (ROC).

District Court Reimbursement

District court reimbursement appropriations are based on revenue generated by a 2 percent vehicle license fee, thus the amount of this appropriation is also based on the economic assumptions adopted by ROC.

Depository Banking Services

The 1993 legislature passed HB 93 which provided for a statutory appropriation from the general fund to pay for general depository banking services. The amounts shown in Table 1 are based on average contract costs, as provided by the Department of Administration.

DUI Testing Equipment

Upon the suspension or revocation of a driver's license due to a traffic violation for driving under the influence of drugs or alcohol (DUI), the driver is required to pay \$100 (in addition to other fines) to the Department of Justice before that license can be reinstated. The department is statutorily appropriated \$50,000 from this revenue "to purchase and maintain equipment used to analyze breath for the presence of alcohol" (61-2-107, MCA).

Disaster/Emergency Services

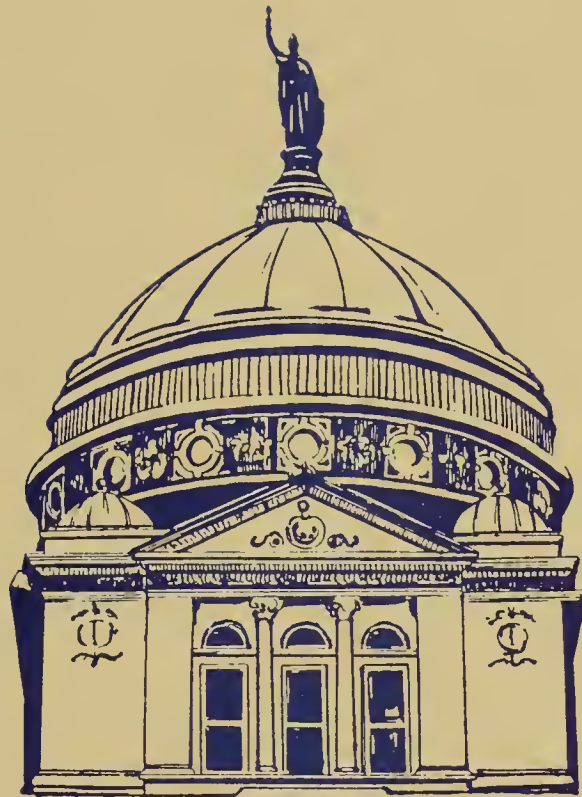
Under 10-3-312, MCA, the Governor is allowed to spend up to \$2.00 million per biennium for emergency or disaster services and up to \$3.00 million for an emergency or disaster due to fire, for a total of \$5.00 million. The amount shown in Table 1 is approximately \$8.29 million -- \$.07 million for disaster relief due to floods and the remaining \$8.22 million for the 1994 fire season. Although the \$8.29 million figure exceeds the statutory limit for \$5.00 million, the state has received \$3.00 million from the Federal Emergency Management Agency for reimbursement of fire suppression costs. The remaining difference of \$.29 million will come from reimbursement made to the state by the U.S. Forest Service.

FEDERAL/STATE - MANDATE STATUTE

In accordance with HB 30, Chapter 13, Laws of Montana, November Special Session, each agency has provided a reference for each program identifying whether the program may be operated at the discretion of the agency or whether the agency is required by federal or state law to operate, administer, or manage the program. This information was provided to the executive as part of the agency budget request and has been reported with the agency budget recommendations in the Governor's Executive Budget. Present law mandates by program objectives have also been reported in the Governor's Executive Budget Appendix. Federal and state mandate references have not been replicated nor fully analyzed as part of the LFA Budget Analysis for the 1997 biennium. There is considerable variation in the manner in which the mandate information was presented by the agencies and the executive.

The outcome of this HB 30 requirement provides reference material that will be available during legislative hearings, that has not previously been available. If the legislature ultimately determines that the scope of a program needs to be changed, the listing of program mandates is available for further research. This research could result in the identification of program and/or funding ramifications associated with legislative decisions and/or identification of the need for drafting additional amendments.

It has been recognized at the state and federal levels that there are both funded and unfunded federal mandates. A recent federal Executive Order (E. O. 12875, "Enhancing the Intergovernmental Partnership", effective on January 24, 1994) directed federal agencies that impose certain unfunded mandates on state, local and tribal governments either to: 1) assure adequate funding for federal mandates or 2) describe the extent of the federal agency's prior consultations with the affected units of government and the nature of the concerns expressed by the affected units of government, 3) provide copies of any written submission from the affected units of government, and 4) prepare statements expressing the position of the federal agency that support the need to issue the regulation containing the mandate. Unfunded federal mandates may be the result of federal agencies using "federal policy discretion" to expand the scope of federal legislation.



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